

REPORT

OF

THE COMMISSION OF INQUIRY GUYANA SUGAR CORPORATION

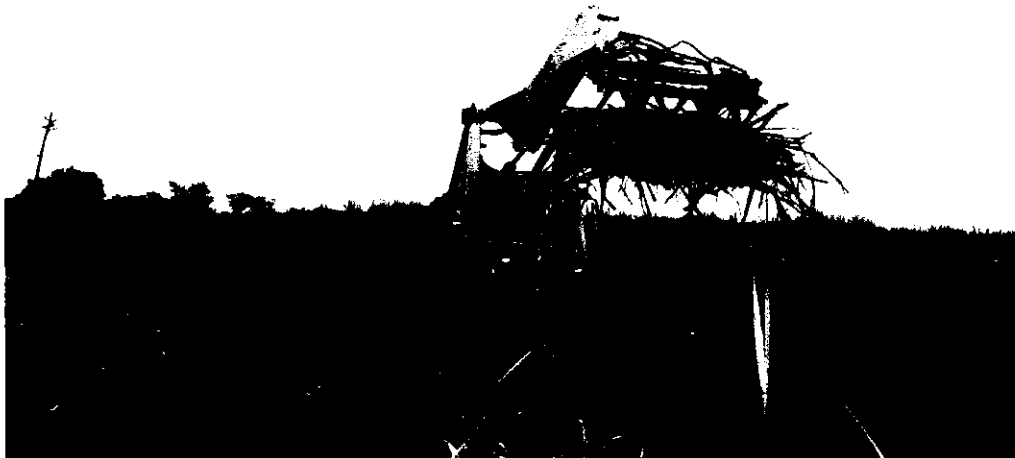
VOLUME 2



OCTOBER 2015

THE FUTURE OF GUYSUCO
Commission of Inquiry into the Sugar Industry of Guyana

REPORT ON
HUMAN RESOURCE MANAGEMENT & INDUSTRIAL RELATIONS



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12th October 2015

MANAGEMENT, HUMAN RESOURCE MANAGEMENT AND INDUSTRIAL RELATIONS
(The human factor in Guysuco's performance)

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Commission of Inquiry (COI)

Re:

MANAGEMENT, HUMAN RESOURCE MANAGEMENT AND INDUSTRIAL RELATIONS

1.0 INTRODUCTION

1.1 Terms of Reference

The Guyana Sugar Corporation (Guysuco) has been producing over recent years, if not decades, less and less sugar at greater and greater unit and total cost, while its unit sale price has been declining. The logic of such a sequence is that Guysuco has reached a point of no return.

Sugar prices, particularly from the European Union (EU), have declined markedly, poor production and productivity, declining skills and experience base, labour shortages and rising costs have all resulted in the Industry becoming a chronic loss maker with ever growing dependency on the Government for cash infusions if it is to survive. This is an untenable situation.

The Government of Guyana wishes to develop a plan to bring the Industry back to profitability, and assure its long term environmental and economic sustainability.

To this end the Government of Guyana has appointed a Commission of Inquiry (COI).

1.2 Management, Human Resource Management and Industrial Relations (among other areas such as Agriculture, Factories, Marketing, Finance etc.) were identified as areas for specific inquiry by the COI.

1.3 Nowrang Persaud, Human Resource Management and Industrial Relations Consultant, was tasked with the investigation, inquiry and reporting on the General & Human Resource Management & Industrial Relations aspects of the work of the COI. Mr. Persaud grew up and continues to live in the sugar estate community. His career in Human Resource Management (HRM) and Industrial Relations (IR) started as a cadet, then Personnel Manager in Booker Sugar Estates Limited and continued with stints as Director of HR and IR with Guysuco and DDL. He also worked as a senior HRM professional in Canada and for many years as a professional HRM staff member, Advisor and Consultant within the United Nations system.

1.4 Data Sources and Collection

Much of the data for this report came from a Comprehensive Questionnaire (see attachment **HRM-1**) completed by the relevant senior staff at Guysuco Head Office and individual estates. This was supplemented and amplified following visits to the Head Office and Estates, email and telephone contacts with relevant officials and personal discussions with a cross-section of employees and other stakeholders, including leadership of the unions, as well as presentations made to the COI by individuals and groups outside Guysuco.

1.5 Explanatory Notes (for readers not familiar with peculiar Sugar Industry terms and practices)

- **Field (Agriculture):** In this document the expression **Field** is used to indicate all agricultural operations.
- **Time Workers:** This term is used to distinguish between workers who are paid on an hourly, daily or weekly basis for the work being done by them irrespective of the amount of work done.
- **Piece or Task or Job Workers:** These terms are used interchangeably to distinguish workers who are paid on the basis of the amount of work done during the time they are at work. The rate paid is partially fixed and partially based on a subjective, experiential assessment of what an average

worker can accomplish performing diligently and having regard to the physical and environmental conditions under which the work is being done. There is a shared notional understanding that the task assigned can be accomplished with reasonable effort within a reasonable timeframe constituting a fair days work which in the Industry is around six (6) hours excluding travel time. Examples of Piece/Task /Job work include Weeding, Planting, Cane Cutting, Applying Fertilizers, Canal Cleaning.

- **Extras:** This term is used to indicate the amount of extra or additional or premium payments that ought to be added to the normal or conventional or fixed rate of pay for piece /task /job work. For example, the normal /regular payment to cut & load or cut & stack a ton of cane is \$1,060 or \$795 respectively, assuming normal working conditions such as canes free of “obstacles” like vines entangling the canes or ‘hindrances’ like the ground being unusually uneven resulting in the workers having to be unduly careful when traversing the field; “detractions” like unusually ‘light’ canes typical of canes reaped well beyond the normal maturity-cycle. When such obstacles/ hindrances /detractors are obviously present, the amount of ‘extra’ payment is determined by management representatives based on the extra time and/or effort that will be required to complete a normal day’s task. This “subjective” assessment made by management sometimes cause conflicts which are normally settled based on reasonable give & take between representatives of management and the workers, failing which ‘strikes’ may and do occur.
- **Custom & Practice:** This term refers to peculiar or unique ways of dealing with unusual or abnormal situations in the respective Estates or the Industry as a whole which have been going on for years, often decades, and have now assumed permanency and immutability even if the original reason or condition for starting the practice has changed significantly or disappeared altogether. A good example is the “witnessing” of cane scale tests by representatives of cane cutters. This was initiated many decades ago when workers regularly complained about the accuracy of the cane-scale. They have a vested interest in the accuracy of the cane-scale because they are paid on the weight of the canes cut & loaded by them. (It must be noted that Management has an equally valid interest in the accuracy of the cane-scale because several performance indices of the Estate are expressed in relation to the amount of canes produced as determined by the weight of the canes processed by the factory e.g. number of tonnes cane per hectare (tch), amount of canes (expressed in weight) taken to produce a tonne of sugar (tc/ts).

Regular testing of the cane scales might have been justified in the days of yore when less reliable, old fashioned “knife-type supported cane scales” were in vogue. These have since been replaced by modern, more accurate “load cell type” scales. (The contrast can be seen if one reflects on the old-fashioned weight balancing scales typically used to weigh materials bought in shops and markets in the past versus the digital bathroom type scales commonly used now). Yet, at least a dozen cane cutting representatives on each estate insist on being present to “witness” scale tests every week and sometimes more often because of custom and practice. (Now the motivation is more to receive the ‘average days’ pay’ which each representative gets for ‘witnessing’ the scale test.) Testing should be done only if and when the ‘load cell’ malfunctions.

2.0 EXECUTIVE SUMMARY

2.1 Corporate Management

The Guyana Sugar Corporation is registered as a Company (number 1439) under the Companies Act of Guyana (Chapter 89:01, section 339) as Guyana Sugar Corporation Inc. Its Memorandum and Articles of Association was incorporated on 21st May 1976 with objectives which include 'the business of owners, planters and cultivators of sugar and other plantations); The Articles go on to include virtually any other kinds of business such as the generation and sale of energy and practically any other conceivable type of business such as may be considered as part of any diversification or extension of its current portfolio of activities.

The management structure of the sugar industry which is a 'nationalized' entity with the slogan 'owned and operated by the people of Guyana' implies that the Government of Guyana (as representative of the 'people'), owns, directs and manages the Guyana Sugar Corporation (Guysuco) through the Minister of Agriculture as the 'political' head and the Government-appointed Board of Directors as the 'policy-making and oversight authority', giving policy advice and directions to the Executive Management team through the Chief Executive Officer (CEO) who reports back to the government, through the Chairman of the Board of Directors.

The Executive Management team is headed by the Chief Executive Officer (CEO) who is accountable to the Board, through the Chairman, for the management and operation of the Corporation. In this regard, the CEO is advised and assisted by a Management Committee comprising of functional Directors and Senior Managers (see **Organogram in the HRM section of the report**)

The Management Committee is headed by the CEO and comprises the functional heads of Agricultural Operations, Factory Operations, Marketing, Finance and Human Resource Management plus the Managers of each of the seven (7) sugar estates in Berbice and Demerara.

Each estate in turn is managed by an Estate Manager who is answerable to the CEO and who has four (4) Department Heads reporting to him (so far there has been no female Estate Manager which is something that might have to be seriously considered in the light of the universal movement towards gender parity). (See **Estate Organogram in the HRM Section of this report**)

In addition to the 'executive/operational' management structure outlined above, the Management of Guysuco is also supported by an Agricultural Research Unit, a Procurement Unit, an Information Systems Department, a Security Unit and a Communication Unit.

- 2.2 At this point it might be prudent to echo the advice given to the COI by an undoubtedly successful current business leader in Guyana when he shared his thoughts on Guysuco as an organization: *"It is my considered opinion that for any Guysuco turnaround plan to succeed there has to be an extremely clear definition of the kind of organization Guysuca should be. Is it a 'business entity' or is it a 'political entity'? There is no longer any room for any grey area in defining the purpose of the organization.* And, because Guysuco is in the business of agriculture, it is appropriate to reproduce the timely warning given at the October 2015 meeting of COTED (Caricom's Council for Trade and Economic Development) that 'Agriculture needs to be treated as a business and not a social welfare project'.

A business entity is managed by a competent and accountable executive team who are answerable for the results of the organization and who are given a free hand to make business decisions within a

framework of policies set by a Board of Directors to which they are accountable. The Board of Directors must understand and interpret the expectations of the shareholders, set the relevant goals and objectives to realize those expectations, give the executives a free hand to make management decisions within clearly defined policy framework but hold them accountable for the results and insulate them from undue external interferences.

2.3 Privatization

Guyana has been suffering the same fate of nationalized industries throughout the world which have failed because it has been proven conclusively that governments should not dabble in the running of business, that business is better run by businessmen as opposed to politicians. Whenever the lines are crossed between managerial prerogatives and political intervention the results are negative. History has proven that it is difficult for politicians to resist temptations to intervene in the interest of their constituents which are more often than not at odds with good business practices. This in its self is a major justification for a return to privatization of the sugar industry.

2.4 Human Resource Management and Industrial Relations

Behavioural/ Attitudinal /Motivational Factors

- (a) Human Resource Management including Industrial Relations is essentially about PEOPLE: what makes them tick, turn them on or off as the case might be and what the organization can do to keep them 'turned on', to motivate them to do the right and proper things, properly!

Faced with short term challenges, committed and motivated staff will rise to the occasion; they will collaborate with management and do what is necessary to turn things around in the face of challenges. However, even with superior management, it is difficult if not impossible to keep them motivated over unduly long periods of decline such as the industry has been experiencing and which influenced the present government to appoint the COI.

- (b) Before Nationalization in 1976, the sugar industry's management was guided by a liberal philosophy of socio-economic and financial management with operational guidelines that cascaded towards a four-fold set of responsibilities to the shareholders, the employees, the consumers and the community; all of this resonated with the Human Resource Management mantra proclaiming that people are more important than shops, ships and sugar estates.

- (c) In the meantime a progressively powerful trade union, the Guyana Agricultural & General Workers Union, representing practically all the workers of the industry, has become increasingly demanding and uncompromising; Its chronic abuse of the strike weapon reduces any semblance of standard industrial relations practices to a perfunctory charade by the union and mere punctiliousness or self-serving indifference on the part of the Human Resource/Industrial Relations directorate, and semblances of buying peace by management of Guysuco.

At a time when the industry's essential survival is at stake, there is no indication of any tangible initiative or effort on the part of the union to stop, let alone reverse the hemorrhaging of the industry

The debilitated management team's typical responses to an increasing array of unreasonable, unsustainable demands from the union representatives, at both estate and corporate levels, have been a series of band-aid solutions, invariably following settlement of strikes without any quid pro quos.

These band-aid solutions eventually become 'customs and practices' in perpetuity resulting in a constant inflation of the employment cost of the industry. Coupled with the falling sugar prices and other challenging market conditions, the industry has indeed hit its nadir.

(d) At this juncture it must be emphasized that the challenges facing the industry are not one-sided; they are multilateral with the unions, especially GAWU, being a major player, representing some 16,000 stakeholders who will undoubtedly suffer or sink if the industry does not swim out of the deep and deepening whirlpool of problems identified in this report. The unions must realize that as critical players and partners in the industry, their genuine, active and meaningful collaboration with management in implementing the recommendations of this COI of which GAWU was an integral part from the beginning to the end of the deliberations, is indeed vital.

(e) The causative factors for the decline of the industry are many. Ranking high among these factors is the industry's cost of production which has been outstripping revenues by significant amounts. Contributing most significantly to the Industry's cost of production is its labour cost which is currently at about 65% but will rise to about 70% if the current demands from the GAWU are conceded.

It is worth noting that perceptions in the public domain are that the field workers, including cane-cutters in the industry are poorly paid; however, this myth can and must be removed by an aggressive public communication campaign: The actual annual gross earnings of these workers compare quite favourably with counterparts in the rest of the industry and the country who, incidentally, work substantially more days and longer hours in the course of the year than cane-cutters. (Details of these comparisons are in the body of the Report).

Therefore, a moratorium on negotiations for a new compensation package should be seriously considered; at a minimum, there should be no wage/salary increase this year for any employee of the industry including managerial employees.

A summary of other recommendations is included at the end of this report.

(f) Other significant factors contributing to the decline include poor attendance at work despite the many costly incentives in place to increase attendance and improve productivity. The current situation presents an irony in that while the Field Establishment is showing a virtual 4% vacancy rate, the attendance averages 58% for cane cutters and 71% for other rank and file workers. About 90% of them achieved 80% or more (some 60% achieve more than 100%) qualification for five (5) different incentives, bonuses and benefits which are intended to encourage higher attendance and productivity. The cost of the latter account for a significant portion of Guysuco's employment cost.

(g) Thankfully, the gloom and doom about the industry that prevailed prior to the middle of this year, received a positive jolt when the present Government appointed this Commission of Inquiry in July; it provided a ray of hope; similar hopes came with the appointment by the current government of the Interim Management Committee (IMC) as well as a new Board of Directors. Furthermore, the apparent halt in the industry's decline occasioned by significantly better production in the current crop, more especially at Skeldon, which has been in the eye-of-the-storm for several years, but whose fortunes have changed significantly this crop so far, have all raised the morale of the management teams and the employees.

- (h) There is now a fresh air of positive anticipation that with more effective management and possibly privatization, it is not only possible to return to profitability but to achieve again the erstwhile status of the sugar industry being the employer of choice in Guyana.

3.0 Structure of Guysuco:

The organogram or organization chart is a graphic depiction of the current organization structure and relationships, horizontal and vertical, between positions and departments at different levels within the organization.

The organogram is also a good indicator of the 'management philosophy and style' of the organization: is it centralized or decentralized? is it unduly hierarchical and authoritative? is it democratic and demonstrative of confidence in the integrity of the governance /management systems and staff at successive levels of the hierarchy? Most organizations are not static so, as changes occur, the organogram changes. The following changes are proposed:

- 3.1 Head Office organogram the current organogram of Guysuco Head Office (presented as the latest 'official' one) dates back to February 2005; it does not reflect what is, nor was, the reality in the past few years and certainly not now. Attached as **HRM - 2** is a depiction of what currently obtains under the new Interim Management Committee.
- 3.2 Proposals for a new Organogram at Head Office Attachment **HRM - 3** depicts proposals for a new organogram the highlights of which include the following:
- Restoring the leadership of the Agriculture and Factory operations functions to the Directorate level. Currently, these vital functions are headed by professionals at the managerial level. If, as may be implied from some comments made, the latter are deficient for the Directorate level then appropriate action should be taken to correct their deficiencies or to replace them with suitable alternatives. Any deficiency on the part of the incumbents should not result in diluting the position and /or the structure to fit the incumbent. Modern effective Human Resource Management processes do not work that way.
 - Adding a senior Project Management position to lead and coordinate the Corporation's mechanization drive. This position will be parallel to the head of Agricultural Research
 - Integrating the leadership of the HRM and IR functions under one Director i.e. the HR Director. The IR function, looms large because of issues identified in the IR Section of this report (see section 11 below) but that does not have to continue. Besides, the probability of policy incoherence and practical conflict in varying approaches to the avoidance and settlement of disputes and disciplinary matters, relativities in pay, incentives and related compensation matters of equity, efficiency and organizational effectiveness, all indicate wisdom in integrating HRM and IR. Furthermore, the additional cost in compensation and perks, besides being unnecessary, might create unfair imbalances in relativities between these and other important functions in the corporation.

- Returning the reporting relationships of estate Human Resource and Finance Managers from the Head office HRM and Finance Directors to the Estate Manager.

The current arrangement as depicted in the Job Descriptions of the Estates' HR and Finance Managers show the latter reporting directly to the respective Head Office Directors with an indirect relationship to the Estate Manager. Such an arrangement is untenable especially as the Estate Manager is held accountable, as indeed must be the case, for the overall performance of his estate.

3.3 Estate Level Organogram

Attachment **HRM - 4** is a depiction of the typical Estate Structure which is standard and appears functionally effective, except for the comments and recommendation immediately above regarding the Finance and HR Managers reporting to Head Office Directors as opposed to the Estate Managers.

It is also being proposed that the Field Superintendent level be phased out instead of the Field Charge-hand level because of the unnecessarily numerous six (6) levels within the field management structure and the greater need for direct in-field supervision.

Additionally, there are minor adaptations on some estates due to the inclusion of satellite units like the Packaging Plants at Blairmont and Enmore, the Central Workshop and Port Mourant Training Center at Albion and the Co-Generation plant at Skeldon (ownership and control of which is currently in a state of flux).

The East Demerara Estate (EDE) which encompasses two (2) recently independent estates (LBI and Enmore) is understandably in a transformative mode. It is necessary to fast-track the amalgamation of LBI and Enmore to benefit from the economies of overhead savings and physical/psychological integration of the two formerly separate entities. Of even greater significance is the financial accruals that can be realized from the disposal of surplus physical assets, especially land which in this location, close to Greater Georgetown, can fetch handsome revenues to help clear Guysuco's liabilities.

Furthermore, the hectareage currently under cane-cultivation at both LBI and Enmore is significantly surplus to the hectareage required to produce the consistent cane-supply needs of Enmore Factory. This presents ample opportunities to rationalize the cane-cultivation 'spread' closest to the Enmore Factory which will result in economies of cane, labour and materials transportation while freeing-up the more 'outlying' acreage for beneficial disposal.

4.0 Industry Establishment as at 30/06/2015

Each estate supplied their current establishment and the Head Office Agriculture and Factory Operations chiefs were asked to vet those having regard to mechanization, rationalization and other operational dynamics. The result of these reviews is reflected in the following tables with relevant comments.

Table Showing Establishment of Field Workers in the Industry

Estates & Industry	Piece workers (Task or Job rated)			Time Workers (Hourly – Daily-Weekly- paid)			Total Field Workers			
	B	A	V	B	A	V	B	A	V	%
Skeldon	1453	1347	106	686	682	4	2139	2029	110	5
Albion	2221	1970	251	712	749	36	2933	2719	287	7
Rose hall	1439	1272	167	610	594	16	2049	1866	183	9
Blairmont	1430	1413	17	195	343	148	1625	1756	165	8
Enmore	985	746	239	382	276	106	1367	1022	345	25
LBI	561	450	111	219	161	58	780	611	169	22
Wales	847	801	46	381	359	22	1228	1160	68	6
Uitvlugt	990	962	28	365	394	29	1355	1356	1	0
Industry	9926	8961	965	3168	3558	419	13476	12519	957	7

B=Budget or Establishment; A=Actual; V=Variance or vacancies

- (a) Total requirement for Field workers is 13476; Actual on Roll is 12519 showing a deficit of 957 or 7%. However, this summary is highly distorted by showing Enmore & LBI separately as opposed to one entity (East Demerara Estate, EDE) with vacancy rates of 25% and 22% compared to the other Estates where the vacancy rate is 10% or lower. If EDE were excluded the Industry vacancy rate for Field workers would be a mere 4%. This does not present as bad a picture as might be assumed from perceptions in the public domain. On the other hand it does not reflect the actual attendance at work which in 2014 averaged 71% i.e. a deficit of 29%. Worse still, the average among cane cutters was 58% ranging from a low of 48% in the West Demerara Estates and a high of 73% in the East Demerara Estates. In any event the complete rationalization/integration of LBI and Enmore must be done urgently. (See Table and Discussion on Attendance at Work in section 4.3 below.)
- (b) Time-rated workers in the field comprise 28% while Piece-rated workers comprise 72%. Having regard to the 'natural tendency' for lower productivity among time-rated workers as well as the incentives available for greater productivity from piece-rated employees, Guysuco should explore further potential for increasing the ratio of piece-rated work/workers in the interest of improved productivity.

(c) **Field Supervisory /Managerial Staff Establishment:**

	Junior Staff (C/Hand; F/man; Supv / Tech /Admin				Senior Staff Supts; AFM; Agronomist; FM			
	B	A	V	%	B	A	V	%
Skeldon	111	110	1	0.9	33	33	0	0
Albion	126	107	19	15	23	22	1	4
Rose Hall	111	112	+1	+0.9	24	17	7	29
Blairmont	92	84	8	9	17	17	0	0
Enmore	61	56	5	8	18	15	3	17
LBI	42	43	+1	+2	10	12	+2	+20
Wales	76	73	3	4	16	14	2	12
Uitvlugt	75	64	11	15	16	13	3	18
Industry	694	649	45	6	157	143	14	9

Budget=B Actual =A Variance =V

(d) **Field Supervisory Staff**

Albion & Uitvlugt account for 30 of the 45 vacancies. The figures are distorted by a high over establishment of Charge-Hands plus low establishment of Field Foremen; once these are rectified the vacancy rate will drop from 6% to 3% which can be regarded as normal. There seems to be some doubt about the rationale for variation in the number of in-field Charge-hands vs Field Foremen. There is therefore no consistency in the numbers of Field Charge-hands and Field Foremen. Reportedly, arising out of the latest Job Evaluation exercise in the Industry, it was felt that there were too many levels of supervision/management in the Field Structure and instead of rationalizing the several intermediate levels; a decision was taken to get rid of the Charge-hand level at the bottom of the supervisory/management structure.

Having regard to the critical importance and need for more effective in-field supervision, it is strongly advised that this matter be revisited. There is considerable support for the view that the Charge-hand category should be re-instated and strengthened because they can contribute more to the critical in-field supervision and are a viable source from which to select Field Foremen and future Supervisors.

(e) **Field Senior Staff**

Currently there are at least three (3) levels of senior staff management in the field i.e. Field Manager, Assistant Field Manager, Field Superintendent; in addition there is an Agronomist and in some cases a senior Assistant Field Manager. Given the identified need for better in field supervision (and cynical, perhaps true, pejorative that 'field management' from the office and the dam or by cell phone have been responsible, at least partially, for poor yields and work standards), it is recommended that the Field Superintendent level be phased out. (There are currently 85 Field

Superintendents in the Corporation; at an average annual cost of \$3.M each, the savings will be about \$300 M per annum).

Concurrently, the role and profile of the three supervisory ranks in the field (supervisor, foremen and charge hand) must be beefed up.

Furthermore, the drive for more mechanization of field operations will eventually require different managerial and supervisory configurations. In the mean time, it is proposed that consideration be given for the creation of a field management role, perhaps at the AFM or Agronomist level, dedicated to pushing and overseeing the mechanization of operations.

4.1 The Field Establishment for the Industry

Based purely on establishment data the figures do not present a bad picture; however, the relatively low attendance rate of 71% overall and only 58% among cane-cutters is cause for concern. It certainly discredits all the incentives available to encourage higher attendance among field workers.

- (a) The total number of workers required for all eight (8) cultivations in the industry is 13,476 of which 12,519 (93%) are on roll showing an overall vacancy rate of just 7%; this certainly looks better on paper than the general impression prevailing in the public domain.

The vacancy rate varies as follows:

Blairmont = 8 %,	Uitvlugt= 0 %	Skeldon = 5 %
Wales = 6 %	Albion = 7 %	Rose Hall = 9 %
LBI = 22 %	Enmore = 25%	Total = 7%

As indicated before, once LBI and Enmore are fully integrated as East Demerara Estate the vacancy rate may come down from 7% to an even better 4%.

- (b) The Industry total of Field Junior Staff (including Charge-hands, Foremen, Supervisors' and related Technical / Administrative support staff) total 649 actual against a budget of 694 representing a negative variance of 6%. Again this may be improved when EDE is fully rationalized.
- (c) In ascending order, estate's Junior Staff vacancy rates are as follows: LBI = +1, Rose Hall = +1, Skeldon = -1, Wales = -3, Enmore= -5, Blairmont = -8, Uitvlugt = -11 and Albion = -19
- (d) The Industry Field Senior staff establishment shows a budget of 157 with 143 actual i.e. 14 (9%) positions vacant of which, in ascending order, Skeldon and Blairmont are at zero each, Albion 1, Wales 2, Uitvlugt 3, Rose Hall 7. LBI shows an over establishment of 2 but this is counter-balanced by a vacancy rate of 3 at Enmore.

4.2 Recommendations for Optimizing the current Field Establishment to improve Productivity

(a) Convert Time Workers to Piece Workers where ever feasible:

The Industry currently has 28% of its field workers classified as 'time workers' who are paid for being at work and hopefully doing productive work conscientiously for a normal work day. However, experience has shown that despite constant supervision and hopefully motivation, the productivity is not on par with piece rated workers.

What is also worth noting is that the effectiveness of the piece workers can be negatively affected by slothfulness of time workers. For example, the water fetchers, ramp men and auxiliary mates and attendants in harvesting, weeding and fertilizing and other crop husbandry operations are time rated while the people and operations they support are piece rated.

It is possible that by paying them on the basis of a percentage of the earnings of the people /operations which they support, they will be motivated to improve the quality, timeliness and effectiveness of their support; they will certainly have a vested interest in the effectiveness of the operations and become self-propelled and self-supervised.

(b) Actualize the concept of General Agricultural Workers

It is possible that by moving away from 'functional specialists' in field work (i.e. Fork men, Shovel men, Planters, Cutters, Weeders, Fertilizer hands, Spray men etc.) towards a more multi-functional, all-purpose, versatile agricultural worker, the 'opportunity days' for the workers and for the respective field operations will improve sufficiently to achieve the same output with less people. This is not an attempt to reduce the labour force but to optimize the use of the reducing availability of workers while ensuring that all necessary operations are performed. The non-available days will reduce and the work in the out-of-crop period will be more meaningfully done as opposed to the current focus of meeting the requirement for four (4) days work in the out-of-crop irrespective of need; it will facilitate year round employment.

(c) Extend Mechanization of Crop Husbandry Operations

Contrary to popular perceptions, the shortage of employees for crop husbandry operations like spraying, weeding, planting and canal cleaning etc., is as much a concern as the shortage of cane cutters on several estates. The potential for meeting the requirements for crop husbandry workers through mechanization is as good if not greater than for cane cutting. For example, the use of the readily available Slashers for weed control, small Hymacs or adaptation of larger ones for canal cleaning and greater use of Boom sprayers. It is noted that these initiatives are already being taken but must be pursued more vigorously either through estates' machines supplied to workers or contracting out the operation (as has already been done for labour transport).

(d) Contracting out Cane Transport, Mechanical Tillage and Field Workshop Operations

By their very nature these operations are relatively very costly in terms of capital outlay and labour costs. The labour cost element is exacerbated by an array of anachronistic custom and practices which are entrenched; we are told that attempts at rationalization have been frustrated by natural

vested interest among workers and union representatives. Outsourcing as an option should be vigorously pursued. Already Labour Transport, Sugar Transport, Stores Material etc have been successfully outsourced with welcome cost savings estimated to be at least 1% of total field operating cost. An added advantage of outsourcing or contracting out as many operations as is feasible is the “buy-in” or vested interest the community will have in the success and continuity of the Industry. The PR and goodwill spin-off could be considerable.

(e) Versatile Multi-Machine operators

The concept in paragraph (b) above may also be extended, even more meaningfully, to the increasing need for machine operators and mates. With the prospect of extending mechanization of agricultural operations, the need to optimize the machine hours and ensure full utilization of the machines can be met more effectively if the pool of operators and mates can be deployed continually without the constraints of specialized operators for particular machines which can lead to downtime when specialized operators are not available. Of course this will have implications for focused training, acceptable job evaluation and equitable compensation arrangements. (See further expansion of this concept with relevant details in attachment HRM - 5 written on request by Mr. Yudi Persaud, current Estate Manager of Uitvlugt whose forte is in the area of machine utilization).

4.3 Attendance and Absenteeism in the Field:

While the numbers on-roll against budget might portray a fairly satisfactory picture, the actual attendance does not. Regular attendance in the estate context, with particular reference to field work, might be defined as closing the gap between days available and days worked. It is necessary to maximize the number at work during crop, especially during the days opportune for efficient, cost effective operations, usually referred to as opportunity days. It is important to make this distinction because if all the field workers were to turnout for work five (5) days per week during the out-of-crop period, then the industry might very well be faced with “shortage of work” or excessive workforce. (Even the current guaranteed 4-days work per week during the out-of-crop period poses a challenge to find ‘meaningful’ work from both management’s and workers perspectives.)

Unfortunately, it appears that measures previously taken to encourage higher attendance at work during the week-ends of the in-crop period have backfired in the sense that attendance during the week-days now suffer relative to the week- end days. Week-end work now doubles the value of the days for qualification purposes and the week-end earnings are tax free by special dispensation.

(a) Formula for Qualification:

The formula for qualification i.e. to qualify for holidays-with-pay and production incentives as well as to retain the status of permanent (versus temporary) worker, is such that an employee who works week-ends and two days during the week scores 80% which is the qualification threshold. Therefore, the incentive to work during the week is significantly reduced. Those who are ambitious ensure minimum attendance to retain their full status in the estates (and the perks of permanent workers plus bonuses and incentives) then seek opportunities for additional earnings elsewhere, where earnings are usually ‘net’ through illegal non-deduction of Income Tax and NIS.

The table below shows the overall low turnout of 58% for cane cutters and 71% for crop husbandry and other rank and file workers in the field.

Percent (%) Attendance (Turn out) at Work in 2014

	Crop Husbandry	Cane Cutters	Operators, Mech Till; Mill Dock; Billet; Bell; FWS	Total Field	Total Factory
	%	%	%	%	%
Skeldon	72	57	79	69	83
Albion	78	66	88	77	91
Rose Hall	65	52	75	64	98
Blairmont	74	59	86	73	80
East Demerara Est.	80	73	91	81	89
Wales	65	48	87	67	98
Uitvlugt	64	48	90	67	85
Industry Average	71	58	85	71	89

Observations:

- Lowest turnout of Cane Cutters across all estates ranging from the lowest in West Demerara at 48%, the Highest in East Demerara at 73%, the median is Skeldon at 57% and the Industry average is 58%
- The overall Field turnout in the Industry averages 71% with the highest in East Demerara at 81%, the lowest in Rose Hall at 64% and the median in Skeldon at 69%.
- The turnout of mechanical operators and Tradesmen in FWS averages 85% with the highest at 91% in East Demerara, the lowest at Rose Hall with 75% and the median at Wales with 87%. It is significant to note that contrary to popular perception Demerara turnout is better than Berbice.
- Factory turnout is industrially higher than field with an average of 89%. Rose Hall and Wales tie for the top spot at 98%, Blairmont at the bottom at 80% and the mean at East Demerara with 89%.

(b) Case for a new formula:

There is obviously a good case for revising the 'qualification formula' in order to achieve higher levels of attendance at work as and when required. This will also reduce the unduly high costs of bonuses, incentives and other benefits which are currently incurred without reciprocal benefits to Guysuco.

JUSTIFICATION FOR A NEW QUALIFICATION FORMULA

The **current formula** for qualification for HWP is the node or spring board from which the other benefits flow for all rank & file workers (which is practically all Guysuco employees). It directly influences the following benefits:

- (i) **HWP** (Holiday-With-Pay of 1.25% of an average week's pay per crop);

- (ii) **WPI** (Weekly Production Incentive of one or more days of average day's pay depending on the achievement of pre- set production targets for the week);
- (iii) **API** (Annual Production Incentive of one or more days of average day's pay for the 2nd crop depending on the achievement of pre-set production targets for the 2nd crop);
- (iv) **SB** (Sickness Benefit of one week's pay per year to those who qualified for HWP in both crops);
- (v) **'Additional Week's Pay'** as a kind of 'long service award' payable to rank & file workers every year who have achieved 10 years qualification;
- (vi) **Permanent Status** (granted to rank & file workers who have qualified for HWP in 3 consecutive crops providing there is a 'vacancy' in the establishment).

The current formula is such that workers who work Sunday, Saturday and two (2) days during the week will achieve the 80% threshold to qualify for all the five benefits as well as continued employment as a regular worker (as opposed to a temporary worker whose employment is not 'guaranteed'). Its negative effect on attendance at work during the week is quite obvious from the under-mentioned scenarios; it has led to the current irony whereby the Industry's average attendance for cane cutters is 58% and for field workers generally 71% while those in receipt of the benefits flowing from the current formula show a significant proportion achieving over 100% qualification and similarly large numbers achieving over 80%. In other words, as the attendance suffers, the payment of bonuses and incentives increase disproportionately.

The current formula is hinged on the concept of a five-day normal work week, from Monday to Friday, (or four days normal work week if a public holiday falls within the normal work week.) Saturday and Sunday are considered 'abnormal' days. Expressed another way, the available days are limited to five (5) days from Monday to Friday (or four days if a public holiday falls between Monday to Friday). Because Saturdays and Sundays are regarded as 'abnormal' days they do not feature in the calculation for the threshold, but the earnings for these 'abnormal' days are included in the calculation of the earnings for the week which of course raises the average day's pay without increasing the days worked. Thus, the divisor for calculating the 80% 'qualification' is usually five (5). The dividend or numerator is the actual number of days worked, as can be seen from the following scenarios:

1. For working 5 out of 5 days from Monday to Friday, the calculation is $5/5=100\%$; for working 4 out of 5 of these days, the calculation is $4/5 = 80\%$. If there is a public holiday within the week the calculation is $4/4 = 100\%$
2. For working 5 out of 6 days from Monday to Saturday, the calculation is $5/5 =100\%$. If the worker is absent on one of the week-days Monday to Friday, the calculation is $4/5 = 80\%$. If there is a public holiday during the week, the calculation is still $4/5 = 80\%$
3. For working 5 out of 7 days, Monday to Sunday, the calculation is $5/5= 100\%$; If the worker is absent on one of the week days, the calculation is still $4/5 = 80\%$ but the average earnings for calculating an average day's pay is higher because the earnings on Saturdays and Sundays are included in the calculation of average day's pay.

4. Even more skewed is the case where a public holiday falls within the week and the worker works all 7 days of the said week, the calculation is $7/4=175\%$ with the calculation of 'average day's pay' bumped-up further by including all 7 days' earnings.

It can be seen from the above that the incentive for attending work during the normal work week (Monday to Friday) is considerably reduced by the premium inherent in the abnormal work days i.e. Saturdays and Sundays which also attract other premia like time-and-half for Saturdays, double time for Sundays and exemption from Income Tax for week end earnings (with the only proviso being that they must work four week days)

Having regard to the forgoing over-generous premia attached to week end work, the incentive for attendance during the week is diminished and the temptation to stay away from work in Guysuco while seeking alternative work elsewhere (where Income Tax and NIS deductions are openly and illegally ignored) become quite attractive

The following new formula for the above mentioned six (6) benefits is strongly recommended:

For attendance qualification:

- Sunday work is considered abnormal and should be reduced to the minimum practicable and required. Work on Monday to Saturday is considered normal and should be encouraged by incentivisation.

For week-related benefits:

- Workers who are required and who attend work the six days, **Monday to Saturday**, will qualify for **100%** of all benefits, bonuses and incentives applicable for the week.
- Those who are required and do work five of the six days, **Monday to Saturday** will qualify for **80%** of all the benefits applicable for the week.
- Those who are **absent for two or more days** of the normal work week (Monday to Saturday) will not qualify for any of the benefits applicable for that week.

For crop-related benefits:

- For the crop-related benefits, the same qualification requirement will apply i.e. **those who qualify every week will get 100%** of the benefits applicable for the crop and **those who miss the weekly qualification for one week will be entitled to 80%** of the benefits payable for the crop. Therefore, those who miss qualification for two or more weeks will not be eligible for any of the benefits applicable for the crop.
- **For annual benefits (example Sickness Benefit)** which is dependent on qualification for both crops; those **who qualify in both crops of the year will get a 100%** and those who qualify in **one crop only will get 80%** of the benefits applicable. Those who fail to qualify for any crop-related benefit will not get any Sickness Benefit payment.

Implementation of this new formula will significantly improve the correlation between regular attendance at work and payment of generous incentives and benefits to workers while significant savings of at least 3% of total employment cost will accrue to Guysuco.

(c) Absence among Staff

A disturbing development among staff is the reported maximum use, sometimes abuse, of Leave provisions. It is reported that Staff tend to take their full entitlement to annual leave (28 days) which they must; however sick leave is not a 'must', it is a concession to ease the pain of genuine illness not leave-in-lieu of or in addition to annual leave plus sick leave (28 days) certified plus discretionary, casual and emergency leave.

Worst still is the perception that absence is manipulated to benefit from overtime compensation because of the 'doubling up' that is necessitated in the interest of continuing operations and production.

(d) Greater use of Information Technology (IT)

It is necessary to extend the use of Information Technology in the various processes and operations in the industry. Besides reducing the dependency on high-cost manual systems, available IT systems can improve efficiencies in the corporation. For example, the system of manual "checks" done by Field Supervisors was identified for computerization over a decade ago, yet Supervisors still spend much time doing "office" work and consuming valuable time which can be more effectively utilized for their presence in the cultivation, direct motivational communication with workers and Foremen and all round better in-field supervision to improve work standards and morale which must be their core concern.

Similarly, Guysuco's Service Units in Finance and HRM can benefit from exploring IT possibilities for collecting, analyzing and presenting useful management data. A disappointing discovery of the COI is the absence of labour productivity data which is a must in a corporation like Guysuco with such high labour costs. Labour productivity data like man days per tonne of canes produce (MD/TC), man days per tonne sugar (MD/TS), man days per hectare fertilized (MD/HF), man days per hectare weeded (MD/HW), man days per hectare planted (MD/HP) etc., should be collected and presented in the same way as is done for field and factory efficiencies like TCH (Tonnes Cane per Hectare), TC/TS (Tonne Cane per Tonne Sugar), Juice Purities, Sugar Quality etc.,

4.4 The Establishment for the Factories:

The table below shows the numbers budgeted (1944), the Actual on Roll (1927) and the Variance/ Vacancies (17) in the seven (7) factories of Guysuco. The current number of 17 vacancies (9 workers + 5 Junior Staff + 3 Senior Staff) is not unduly worrisome. However, deficiencies in competencies among those on roll might be another matter which of course can be addressed by attentive, pro-active human resource management initiatives, especially having regard to the continuing output from GTC-PM (Guysuco Apprentice Training Center at Port Maurant) and other technical training institutions operating under the auspices of the Board of Industrial Training and TVET (Technical, Vocational, Educational Training). As the factories introduce and adapt to new technologies, the staff requirements in terms of numbers should decrease; of course there will be continuing need to upgrade the skills of existing staff and to ensure that new intake have the competency base for new generation technologies.

Factory Establishment – Budget (B) Actual (A) Variance (V)

Location	Workers			Jur. Staff/ Supr			Snr Staff			Total		
	B	A	V	B	A	V	B	A	V	B	A	V
Skeldon	312	312	0	41	41	0	24	24	0	377	377	0
Albion	183	185	2	47	47	0	11	11	0	241	243	2
Rose Hall	235	235	0	50	49	-1	12	10	-2	297	294	-3
Blairmont	203	191	-12	50	49	-1	12	12	0	265	252	-13
Enmore	223	225	2	55	54	-1	19	18	-1	297	297	0
Wales	175	169	-6	45	46	1	10	11	1	230	226	-4
Uitvlugt	196	181	-15	50	48	-2	10	9	-1	256	238	-18
Industry	1507	1498	-9	339	334	-5	98	95	-3	1944	1927	-17

5.0 Recruitment and Retention

5.1 At the Operation Level

It appears that appropriate and effective processes are pursued to secure the best available and willing employees required. Given current and projected demographics, the increasing 'push factors' in the society due to socio-political instability and the definitely strong 'pull factors' associated with perceptions (and reported reality) of success among Guyanese abroad, especially in North America, it is heartening to find from our analysis, that the current human resource requirements of Guysuco, barring some categories and locations in the agriculture operations are, all things considered, being generally met if one considers the numbers on roll. Attendance however, is another matter as was indicated earlier in this report. Well known insufficiency among cane cutters and planters may be ameliorated by mechanization which is already underway. Continuing mechanical adaptation to the unique soil and weather conditions in Guyana is dependent largely on capital availability and efficiencies that will curtail crop lengths to obviate the need to harvest canes in adverse weather conditions.

5.2 At the Technical, Professional, Supervisory and Managerial levels

Recruitment and Retention must include:

- Targeted search through advertisement and outreach including head hunting
- Apprenticeships, Traineeships and Cadetships including on the job training, coaching, counseling and mentoring, 'managed' acting appointments and secondments and possibly a well-developed, pragmatic succession planning system as outlined below.
- A Performance Appraisal system that is not tied to Compensation but is a 'stand alone' that focuses on the intrinsic motivational aspects of giving and receiving feedback on staff performance against predetermined objectives as well as potential for development.

5.3 Open-ended or Flexible Retirement:

The practice of retiring employees at age 60 should be discontinued in favour of an open-ended, more flexible approach to retirement. The practical considerations which drive this idea cannot be ignored. People are now living well past the Biblical 3-score years and 10 =70 years of age.

Lynda Gratton, Professor of Management Practice at London Business School and leader of the 'Future of Work Research Corporation', wrote in the Spring 2015 issue of the professional magazine titled "Work", published by the CIPD (Chartered Institute of Personnel and Development) that "more years have been added to life expectancy in the past century than in all previous millennia of humanity. that the extension of life will lead to a restructuring of what people think of as a career. Organizations will no longer be able to target cohorts of people on the assumption that a person's age indicates his/her life stage." This is not only a profound statement but the message for employers is quite clear.

We should have more flexible policies and practices for recruitment and retention of employees. Expanding life span now sees the number of centenarians on the rise; examples of septuagenarians and octogenarians still successfully continuing their working lives in varying roles from the bottom to the top in industry, commerce and the professions from manual, operational, clerical, technical, administrative, supervisory, professional and managerial roles right up to the head and chairmanship of organizations are increasing all over the world including Guyana.

Contrastingly, Guysuco's HR Managers are busy running "Preparation for Retirement" courses for employees as soon as they pass age 55. Imagine the de-motivational effect on a healthy employee; hungry for work, who is formally reminded at least twice after age 55 that he will have to go off at age 60 years, an age when many people are still at the height (not decline) of their functionality.

It is strongly felt that Guysuco's human resources deficits, especially in the skilled, supervisory, professional and managerial categories, can be largely met by not 'forcing' people to retire at age 60. A more flexible approach to retirement and retention based on the needs of the corporation, the condition and ambition of the employees will redound to the good of both the employer and the employee.

It is inconceivable that in this day and age Actuaries and HR Managers cannot produce pension schemes that are accommodating of the flexibilities implied in this proposal.

6.0 Staff Profiles and Succession Planning

6.1 Senior Staff (Head Office)

The Table below shows a total number of 149 senior staff spread across eighteen functions attached to the Guysuco Head Office. It also shows the average age, length of service, and the level of formal education of these Senior Staff.

Their average age range is 29-58 with a median of 39; the average service range is 4-29 with a median of 15. Their formal qualifications present an impressive picture: 22 with Masters and 65 with Bachelors

level degrees plus 19 with Diplomas and 38 at the Certificate level. In other words 59% are University graduates while 13% are at the Diploma level and 25% are formally certificated. This is a rather enviable situation for an 'old' corporation and another reason for higher expectation in qualitative performance.

Summary of Profiles of Guysuco Head Office Senior Staff

Department	# of Staff	Avg. Age	Avg. Service	Highest Qualifications			
				Masters	Bachelor	Diploma	Certificate
Agri. Audit	2	29	6	-	2	-	-
Agri. Research	11	43	18	6	4	1	-
Agri. Services	8	51	19	1	3	3	1
Aircraft	5	45	17	-	-	5	-
Admin (Corp /Exec	4	36	13	-	3	1	-
Project Mgt	7	39	8	1	5	-	1
Factory Ops	6	50	29	-	3	-	3
ISD	29	34	15	2	20	-	7
Security	3	58	4	-	1	-	2
Communication	2	31	6	1	-	-	1
DST	2	52	26	-	1	-	1
Finance	13	38	15	1	8 ACCA	-	4
HRM	13	45	17	2	7	1	3
Int. Audit	6	36	14	ALL -ACCA or CAT			
Marketing	3	49	19	1	1	1	1
MMD	10	44	17	-	5	2	3
ODC	11	43	10	7	Doctors	4	-
GTC-PM	14	34	13	-	2	1	11
Total	149			22	65	19	38

The Table below shows a total of 293 Senior Staff spread across the eight Estates. Skeldon has an unusually large number at 67 which is almost double the average of 36 per estate for the other seven estates. The average age is 44 years with a spread from 40 to 48. The average length of service is 20 years with a spread from 15 to 24 years. Their formal qualifications is also quite good with 6 having degrees at the Masters level, 70 at the Bachelors level (i.e. 26% of University graduates); 72 or another 25% are with Diplomas and 135 (46%) with Certificates, presenting another reason for celebration and more sophisticated, effective corporate and HR management.

Summary of profiles of Guysuco Estates Senior Staff

Estates	# of Staff	Avg. Age	Avg. Service	Highest Qualifications			
				Masters	Bachelor	Diploma	Certificate
Uitvlugt	30	47	23	1	5	5	19
Wales	30	47	24	-	6	3	19
LBI	18	48	22	-	3	7	6
Enmore	36	40	17	1	13	5	15
Blairmont	35	44	20	-	8	13	14
Rose Hall	34	42	19	1	4	12	17
Albion	43	43	18	-	11	12	18
Skeldon	67	40	15	3	20	15	28
Total	293	44	20	6	70	72	135

6.2 Supervisory, Private Salaried and Junior Staff

A review of the profiles of a cross section of the Supervisory and Junior Staff on Estates as well as the Private Salaried staff in Head Office reveal a pattern of age, service and formal qualification similar to what is described above for Senior Staff.

6.3 Formal Qualification vis-à-vis Job Competencies – a caveat:

While levels of qualifications and experience on the job are good and necessary indicators of potential for satisfactory performance on the job, they must be complemented by the right attitudinal and behavioral competencies especially among supervisory and managerial staff. One must also keep in mind the nature of the Industry and the environment in which it is operating, particularly in the peculiar 'Field' context, which puts a premium on on-the-job, practical experience.

In this regard it is apposite to refer to research done on some myths of the 'well educated manager' distilled by Prof. J. Sterling Livingston, Professor of Business Administration at the Harvard Business School and reported in the Harvard Business Review, in which he concluded that *"there is no direct relationship between performance in school and success in management"*.

6.4 Succession Planning:

The impression one gets from looking at the extant process in Guysuco is that it is not being used; it lacks interest and there is no apparent reason to be hopeful for any meaningful usage in the short-term. If there is no faith or credibility in the process for whatever reason, especially if it is perceived as a mere perfunctory, form-filling exercise, then it might be better to formally discontinue it and declare a policy of competitive internal and external selection, sequentially or concurrently whenever a vacancy occurs, or is anticipated.

Looked at objectively and given the peculiar Guyanese context one might rightly question the viability of a formal Succession Planning system. Many successful organizations, as a matter of policy, prefer the freedom to fill critical, strategic and key positions based not so much on loyalty and proven past

performance but more on inherent or calculated risks, involved in assessing future potential and suitability for changing imperatives.

Choosing key people for dynamic roles based on past performance can result in promoting the wrong people having regard to context and changing circumstances which might require different skills and competencies.

Traditional Succession Planning can rule out bright young people who are hungry to prove themselves, who have the courage to stand up and make things happen, who have the passion and flexibility to make forward-looking decisions rather than maintaining status-quo.

Briefly put, the jury is still out with regard to a formal, institutionalized Succession Planning Program.

Notwithstanding the foregoing, if it is decided that Guysuco must have a Succession Planning system then a different Performance Appraisal system must be a pre-requisite. A Succession Planning process must formally state the primary purpose of the process. Is it for 'automatic promotion' when a vacancy occurs or is it to identify potential and create a 'talent pool' for focused staff development initiatives (e.g. special courses run internally or externally, special projects, assignments, rotations, coaching, etc). As vacancies in the regular establishment occur or are anticipated, a high-level Selection Panel may be identified to review the previously identified potential candidates and make recommendations to the CEO and/or the Estate Manager as the case might be. The composition of the Selection Panel may include the HR Director, the Functional Director for high level positions or Functional Heads/Managers for other critical positions. Depending on the nature and level of the position, the Selection Panel may be augmented by 'external' expertise.

7.0 Training, Staff Development and Staff Performance:

7.1 Introduction:

- (a) It appears that the leadership of the training and staff development function in Guysuco needs a thorough re-orientation from the current theoretical, pedagogic approaches which are more relevant to the field of education and academic certification to more contextually focused, pragmatic, business-oriented training, behavioural modification and staff development for performance improvement on the job, more on-the-job training than classroom and distance learning.

The reports presented to the COI by the corporate Training Manager indicate a preference for Distance Learning and outsourcing to external institutes like IDCCE, UG and UWI as well as to have participants 'certified'. Given the realities in the sugar industry, such approaches are likely to exacerbate the unsatisfactory state of training and staff development in Guysuco. In any event such radical changes should not be institutionalized without professional and practical justification, none of which has been done nor presented. It is disconcerting to note the absence of any reference to the GTC-PM, Guysuco's premier Skills Training Centre in any of the five annual reports submitted to the COI.

- (b) Training for improved staff performance must encompass the three pillars of Staff Development namely Knowledge, Skill and Attitude of which **Attitude** is both seminal and over-riding particularly in

the Guysuco context. Management Staff have a critical, catalytic role in the conception, delivery and monitoring of training; therefore, much emphasis must be placed on training of trainers who are the fulcrum of practical, pragmatic training and staff development.

- (c) Guysuco Management and Supervisory Staff are in general adequately qualified and experienced but they lack that all- important *esprit de corps* to propel them to greater heights and to take initiatives and responsibility for engagement and development of their subordinates.
- (d) It is being recommended that focused on-the-job training be conducted by seasoned staff seconded as dedicated trainers; also that coaches and mentors be identified for new and underperforming staff and for a balance in focus which integrates technical/operational and behavioral training.

More attention must also be paid to the development of supervisory skills, employee relations and industrial relations savvy.

Furthermore and most critically, it is necessary for Guysuco to step up its attention to communications with staff, especially management staff, to ensure that the organization does not lose out in the race for the hearts and minds of its human resources.

7.2 Group Training Activities

Our review revealed that the group training done by all estates is virtually the same; the programs for each year are replicated over and over. The subject matters dealt with are essentially the same year after year; the participants are the same and the methodology the same.

Observations:

- I. Focus is on the technical aspects of both field and factory operations. The crucial aspects of human motivation, communication, individual, group and industrial behavior, morale and relationships etc., are largely ignored.
- II. The admixture of disparate groups in the lecture sessions might not facilitate necessary differential treatment of the topics for the variable levels and interests represented in the combined target groups.

7.3 The Training Methodology:

Effective training methodology incorporates 'training' and 'learning' to ensure that delivery is matched with reception of knowledge, skills and attitude for changed behaviour. Current teaching methodology is too focused on the formal classroom setting with lectures being the predominant medium.

It is difficult to understand the virtual avoidance of the more familiar and effective on-the-ground operational setting for actual, practical and physical demonstrations etc.

In this regard the need for training of in-house trainers, in the skills of coaching, guiding, counseling and communicating must not be overlooked.

7.4 Guysuco Management Training Centre

Guysuco has had an enviable record of in-house training and development of its management cadre not only in the competencies of supervision and management but just as importantly in the development of camaraderie in its managerial ranks. The centre-point of this development was the Management Training Centre, initially at Timehri and then afterwards at Ogle. The conversion of this

facility to the Guysuco Head Office apparently signaled disinterest and a gradual decline in management development. There is no doubt about the efficacy of a dedicated Management Training Centre and leadership of the training and staff development function by a dynamic Training Manager who himself /herself personifies the change agent concept. Management training via Distance Learning courses as is done now has too many contextual limitations and must be supplemented by the kind of interactive training possible in a dedicated Management Training Centre.

It is heartening to note that in July 2013 the idea of converting part of the building now known as the Ogle Diagnostic Centre into a Management Training Centre in the upper flat of the building was pursued via a Board paper dated July 26, 2013; however, disappointingly, no action has been taken so far. This must be aggressively pursued; if the ODC building is not viable then consideration must be given to any available facility in any of the Estates.

7.5 GUYSUCO Apprentice Training Centre (GTC-PM)

The GTC-PM continues its 'flagship' status for skills training in the traditional engineering and allied fields. It is also a beacon for training in the attitudinal and behavioral aspects of effective workmanship and supervision such as interpersonal relationships, team work and discipline. Its graduates are sought after by other employers within and outside Guysuco.

The institution is also aware that while its current curricula provide foundational training in the engineering disciplines, there must be some shifting to embrace further mechanization of the industry, especially agricultural operations and instrumentation/automation of factory operations e.g. in support of Programmable Logic Control (PLC).

GTC-PM has also expanded its offering to the wider community through evening and weekend programmes (for both current employees and potential recruits). This initiative must be continued as it expands the market of technical competence from which Guysuco can choose.

Given the growing complexities of attitudinal and behavioral challenges in the society at large, effective supervision and management of the institution and its apprentices/trainees has become increasingly demanding – a fact that senior management of Guysuco cannot ignore.

8.0 Training done at the GAWU Labour College

It seems that in recent years Guysuco has 'out sourced' its responsibility for attitudinal and behavioral training among workers to the GAWU Labour College. This move appears to be in consonance with the tendency for the corporation to abdicate its primary responsibility for managing the industry or to seek refuge in deference to the growing 'imbalance of power' between the employer's and the employees' representatives. Since nationalization of the industry, the relative power relationship has apparently shifted significantly in favor of the union. While it is unwise to pursue any temptation to engage in 'power plays', it is necessary that the primary relationship between the employer and the employee be preserved.

8.1 The Table at 8.3 below shows the increasing numbers of employees being paid by Guysuco to attend courses run by GAWU at their Labour College in Georgetown; this coincides interestingly, if not disturbingly, with the closure of Guysuco's Management Training Centre at Ogle.

8.2 A review of the agenda/curriculum shown at paragraph 8.3 below shows a heavy focus on philosophical and historical justification for trade unionism, ideological orientation to Marxism and Leninism and similar conceptual and organizational issues in pursuit of bolstering the Trade Union. Other items have no direct or indirect relevance to the interest of Guysuco, save and except a couple hours out of the five day program when Guysuco staff talk about work standards and quality control. Very little or only tangential consideration and concern is reflected for the running of an efficient, productive and profitable enterprise; substantially more is done to ensure the continued growth and influence of the Trade Union at Guysuco's expense. Nothing is wrong with the Union running these courses for their benefit, but why must Guysuco foot the bill especially at a time when its very survival is at stake and there is no indication of any tangible initiative or effort on the part of the Union to stop, let alone reverse the hemorrhaging of the Industry.

8.3 Workers Attendance at GAWU Labour College (2010 – 2015)

Year	Numbers who attended for 5-days per week	Man Days involved x 5 days
2011	135	675
2012	276	1,380
2013	292	1,460
2014	307	1,535
2015 (Aug)	168	840
Total	1178	5,890
Average	236 per year	

8.4 Costs to Guysuco:

Guysuco pays each worker their average days pay for each day of the course. Using an average of \$3,000 per worker per day the total cost to Guysuco for the 2011 – 2015 (Aug.) period so far is almost \$18 M. The annual average cost to Guysuco for the courses is estimated at \$3,540,000.

Of course for the most recent year (2014) the cost was considerably more, approximately \$4,605,000 which means that for 2015 it could go up to \$5 M.

8.5 Typical Agenda /Curriculum for a 5-days Course for Estate Workers:

1. Opening Remarks
2. GAWU /Guysuco Labour Agreements
3. Courtesy Visit to Cheddi Jagan Research Centre (Red House)
4. Film Show: Workers struggle / Thunder in Guyana
5. GAWU emergence and highlights of its struggles
6. Labour Relations
7. The Importance of Ideology and Marxism-Leninism as the ideology of the Working Class
8. Strengthening the Unions' Organizational Structure
9. Capitalism-Imperialism-Globalization
10. Class Struggle and the Development of Society

11. Global Crisis and its impact on Workers
12. The Role of the Ministry of Labour
13. Our NIS
14. Occupational Safety and Health Act and Safe Work Habits
15. Termination of Employment and Severance Pay Act
16. Prevention of Discrimination Act
17. Various Forms of Violence
18. Suicide – Cause and Effect
19. Alcohol and Drug Abuse and Social Habits (for male participants)
20. Cancers in Women (for female participants)
21. Work Standards and Quality Control
22. Guysuco Corporate Issues
23. Cultural Activity
24. Evaluation and Closure of Course

9.0 Compensation (Wages / Salaries/ Incentives / Benefits)

9.1 Introduction: How and How Much to pay?

In this section we look at a number of issues related to what is undoubtedly a major concern in the industry i.e. how and how much employees are paid. Generally, compensation systems take cues from the behavioral sciences and the theories originating from pioneers like Abraham Maslow whose seminal work on the 'Need Hierarchy' is one of the underpinnings of today's systems. Compensation systems reflect the interplay of extrinsic and intrinsic 'rewards'. Intrinsic motivators are often used to encourage and reward positive longer term performance and are therefore particularly attractive for the relatively more 'secure' higher-paid supervisory and managerial staff. For the relatively less secure employees like our field workers, 'ready' money tend to have a more immediate positive impact. They may therefore react more to extrinsic rewards.

Under normal conditions in a market economy the employer realizes that if the compensation package is not competitive, chances are that persons will not be encouraged to join and remain in the industry; employees expect to earn a fair day's pay for a fair day's work.

Complicating the issue, however, are continuing questions about what is a 'fair day's pay' and what constitutes a 'fair day's work'. Answering these basic, age old questions have been and continues to be challenging throughout the free-market world; it keeps a growing army of HRM/IR professionals and Trade Union Representatives busy trying to come up with answers that satisfy their respective constituents. In the process, systems have been developed to deal with the issues as objectively as possible, but it continues to be a 'work-in-progress' with no end in sight.

International best practices suggest that the level of compensation normally reflects:

- (i) the employer's ability to pay, based on performance, profitability, and sustainability of the organization;
- (ii) external relativities in the labour market as may be indicated from salary surveys and/or Ministry of Labour statistics;
- (iii) internal relativities as may be determined by Job Evaluation processes.

9.2 Guysuco's Compensation Systems

Guysuco is a labour-intensive industry; as such its wage-bill is a major component of its total operating cost; its employment cost has been rising continually over the years and now stands at about 65% of its total operating costs. This proportion will go up by the extent to which the Union's current demand for wage increases is conceded.

The irony in this scenario is that the production and productivity curve appear to be dropping while Guysuco's compensation curve moves in the opposite direction, up and up even as the industry needs government bail-outs to keep it afloat. The following table speaks for itself:

IMPACT OF A FAULTY JOB EVALUATION SYSTEM

Year	2010	2011	2012	2013	2014
Production (metric tonne)	220,819	236,577	217,723	186,755	216,358
Loss G\$bn	6,444	7,962	7,106	11,746	17,389
Employment cost G\$bn	14.5	17.2	17.9	18.5	20.8

After the Job Evaluation exercises in 2011, salaries and wages were increased substantially with many workers receiving as much as 50% increase. These improperly executed exercises raised the annual salaries and wage bill by G\$1.8 bn. Between 2010 to 2014 employment costs increased by G\$6.3bn, the equivalent of 43% (see section 9.3 below for a critique of the job evaluation exercise done).

Guysuco's traditional compensation philosophy resembles the 'carrot and stick' model, especially for the rank-and-file employees in the Field who comprise the bulk of the labour force.

(a) For rank-and-file employees (typically field and factory workers)

Increases in wages and improvements in benefits are negotiated between the employer and the Union, the GAWU (Guyana Agriculture and General Workers Union) which represents about 95% of the total number of employees in the industry.

(b) The character and nature of negotiating, and the elements of the current compensation package have evolved from decades of custom and practices and ad hoc concessions granted over time stretching back many decades and long before GAWU was recognized as the bargaining agent in 1976.

Every year the union automatically submits its "demands" for increases and adjustments in the compensation and fringe benefits package. More often than not these demands bear little, if any, relationship to any objective criteria like ability to pay or market conditions or cost of living indices etc. Negotiations between the employer, usually represented by the HR Director supported by one or two IR Officers, and the union leadership, typically three or four officers of the union Head Office, plus an 'army' of dozens of union representatives (shop stewards) from all estates.

Negotiations drag on interminably in an atmosphere of subjectivity which reflects the antiquated IR adage of "he who bangs the table hardest wins the day". The union plays up to the gallery of union representatives who hardly, if ever, participate in the discussions but must be paid and transported at the employers expense in what is no more than a very costly exercise in futility, especially since of

late, the Government eventually ends the so-called negotiations by imposing settlements via directives thru the CEO of Guysuco.

The settlement is usually an across-the-board increase plus whatever tinkering might have been done regarding the fringe benefit aspects of the compensation package.

The end result of this annual charade called 'negotiations' is another unjustifiable increase in the compensation package which further widens the gap between cost of production and revenues, eventually resulting in another dip in Guysuco's coffers.

(c) Time span and Retroactivity of negotiations/settlements

The last agreement with GAWU (for both workers and Field Foremen) was for the year 2014. It was signed on the 26/09/14 retroactive to 1/1/14 with 31/12/14 as the expiry date.

Ideally, negotiations should be forward looking and done in advance of the relevant period, but with GAWU and Guysuco the norm is retroactivity. For example, for 2014 it was done at the end of the ninth month of the year and this is not untypical. The so-called negotiations with GAWU for the 2014 Agreement involved six(6) formal meetings which were spread over three(3) months and involved twenty-nine(29) representatives from all estates at a total cost to Guysuco of over one million dollars (\$1.0 M) in average days pay plus transportation.

The situation with the other union, NAACIE, which represents clerical categories and Supervisors, is not dissimilar, though much less turbulent, principally because it is relatively quite small, less volatile and typically takes its cue from the results of GAWU negotiations for the rank and file workers.

9.3 Job Evaluation

- (a) Job Evaluation is a process used by organizations universally to establish the relativities among different jobs in the organizations. It establishes relativities among jobs not job holders. Jobs with similar differentials are placed in bands which are distinguished by different salary scales. (Relativities among employees focus on the differential performance of the jobs by various employees within the same bands; typically these differentials are recognized by merit increases and reflected in differential individual salaries among employees within the same bands.)
- (b) Job evaluation is not scientific; it is merely a consistent systematic process of classifying jobs. The systemic, objective classification of jobs help to answer questions about the relative worth or pay differentials among different jobs; in other words, why is a watchman paid more (or less) than say a watch repairman; why is a porter paid less (or more) than a painter; why is a mechanic paid more (or less) than a machine operator; what are the differentials between a chauffeur and charge-hand or tractor operator that justify their differential pay scales? Why are clerks and sugar boilers and process foremen in different pay scales?
- (c) There are different methods of job evaluation ranging from the simpler whole-job Ranking method, the Factor Comparison method, the Classification and Broad banding methods to the more complex and less popular Hay method and the even more complex and less known Decision Band method among a series of other 'copy-righted' methods. The choice of one or other method is often a judgment call based on considerations of familiarity, simplicity and acceptability on the part of those concerned with or affected by the exercises.

In May 2003 the Justice Persaud Arbitration Tribunal recommended that Guysuco conduct a Job Evaluation for jobs within the bargain units in the organization inclusive of Junior Supervisory Staff, Clerical Staff and Non-clerical (daily/weekly rated employees). However, it appears that several years elapsed before action was taken.

Comments on the Job Evaluation done:

(d) GAWU Category

The choice of the complex, less popular, Hay methodology as opposed to the more popular, simpler, easy-to-understand and more relevant other methodologies, is highly questionable. The primary rationale for doing job evaluation is to establish easily understood, fair, defensible and consistent internal relativities among jobs within the organization i.e. their relative ranking within the particular organization.

The Hay method focuses on external relativities and is highly dependent on market surveys. Given the very small size of the Guyana employers' market which in itself inhibits the sharing of data because of doubtful anonymity, the validity of the financial extrapolations implicit in the Hay method undermines its effectiveness for Guyana. This critique of the inappropriateness of the Hay methodology for Guyana is substantiated by the facts in the Guysuco report which clearly state that of the nine (9) comparator companies selected for the market survey only five (5) responded namely Guyana Water Inc., (GWI), Guyana Power and Light (GPL), Guyana National Engineering Corporation (GNIC), John Fernandez Limited (JFL) and Demerara Distillers Limited (DDL). With the lone exception of DDL, the other four comparators who participated in the survey can hardly be considered valid comparators from the point of view of their size, ownership and nature of operation. Worse still is the probability that exceptionally high salary levels in corporations like GPL can unduly skew the "market mean" that was used to determine the midpoint and range of the salary scales for the seven (7) Bands in the Guysuco salary structure.

Additionally, the choice of 32 Benchmarks is also highly questionable. A benchmark in the job evaluation context is a strong, easily recognizable, representative sample of a larger group of jobs. Of the 32 Benchmarks chosen, 30 were in one of the three chosen bargaining unit categories namely the Non Clerical (daily/weekly rated) while only one was selected for each of the other two categories namely Clerical and Junior Supervisory. It is difficult to comprehend the exceptionally strong bias in favour of the Non Clerical category and the insignificance accorded to the other two categories. These alone raise serious questions about the integrity and validity of the job evaluation results.

(e) NAACIE Category

The observations and effects of the deficiencies and inappropriateness described for the GAWU category are equally relevant for the NAACIE category

(f) Senior Staff Category

On 12th March, 2003 the then Personnel Director of Guysuco presented a paper for discussion at the Remuneration Committee of the Guysuco Board to implement a Job Evaluation exercise for senior staff based on the Gauge Job Evaluation System.

This is a relatively obscure system based on ten (10) ill-defined, overlapping factors; it is not dependent on written, objective job descriptions but on subjective verbal descriptions of the job provided by

selected job holders in the presence of their immediate supervisor. These responses are then analyzed through a computer-assisted process.

The Personnel Director's cover note to the Remuneration Committee Meeting of 26/3/03 reads: "*one of the main advantages of the system is that it does not require an elaborate system of evaluation committees. An Administrator conducts the evaluations with the jobholder in the presence of the jobholders' immediate supervisor*".

On the contrary, this so-called advantage of the Gauge system (used mainly in Britain and perhaps introduced to Guysuco under the influence of a Booker Tate official who was apparently influenced by his personal familiarity with the system rather than its appropriateness for the senior staff in Guysuco) was in fact a major disadvantage. In any event, reactions from senior staff suggest wide spread dissatisfaction and poor acceptance of the results when the exercise was finally completed in 2011.

- (g) Above all the criticism of the Job Evaluation exercises done, the astronomical and unjustifiable cost implications reflect a serious mismatch between the process and results which is an unpardonable repercussion at a time when Guysuco can ill afford such mis-steps. Job evaluation is intended to correct anomalies in relativities between various jobs and not the pricing of jobs. On reflection therefore it appears that there is sufficient justification to do a comprehensive revision of the extant Job Evaluation processes and results.

9.4 Tangible and Intangible Awards and Rewards

(a) **Uniform Across-the-Board Increases in Pay**

The conventional practice of awarding across-the-board increases to all employees indiscriminately has its merits: besides maintaining employees' relative purchasing power it is democratic, treats all employees alike and avoids the potential for conflict and accusations of unfairness; but the flipside of this argument also has some merit in that the better-performing employees might be de-motivated if they feel, and reasonably so, that their obvious relatively superior performance is not recognized. Of course, a good Supervisor might use all the non-financial, motivational 'carrots' available, like acknowledgement, thanks, appreciation and encouragement, but these also have their limitations and must be augmented by tangible recognition such as is obvious from differential pay increases, bonuses and incentives.

(b) **Variable Pay**

The case for differential pay increases is equally strong and should therefore be pursued as a standard practice. It is already 'built-in' for employees doing 'piece-work' like cane-cutters, planters and weeders who are paid wages on the basis of how much work is done to the established, required standards.

However, for "time-workers" and so-called Junior Staff like Foremen, Supervisors and Senior Staff in technical, professional and managerial positions whose weekly or monthly salaries do not vary on the basis of their performance, simple, unambiguous and administratively efficient performance-related pay increases should be a normal component of their compensation package. Current systems and practices do not appear to be effective.

(c) **Incentives and Bonuses**

Incentives and Bonuses have been known to boost attendance, production and productivity, but over time their original promise, purpose, effect and impact can and often do get diluted or diminished and

in worse case instances become manipulated and self-defeating as for example, in the case of the current formula for 'Qualification,' or the APB /API (Annual Production Bonuses or Incentive) In the latter case, the processes for setting and re-setting of the Production Targets are manipulated and compromised to such an extent that as production keeps dropping the targets get shifted resulting in increased payments of incentives and bonuses even as production has been dropping over the recent years. Another example of dilution is the recent concession approved to pay 95% of a day's pay if 95% of the week's target is made. No incentive payment should start unless the week's target is achieved; additional day's pay is paid if the target is superseded by significant amounts; the reverse should not happen in an incentive scheme. When payment of incentives and bonuses become 'institutionalized' and embedded as a 'routine payment', then the incentive effect is completely lost as the original intention and formulae become compromised. Furthermore, it is necessary to ensure that we are not paying progressively more for diminishing increments of production.

(d) The time is well-past to undertake a total review and revision of Guysuco's bonus and incentive schemes.

(e) Myths about earnings of Field Workers

It is generally felt that Field workers especially piece workers are not doing as well, earnings wise, as their counterpart time workers, Foremen and Supervisors especially because they do not get full year-round employment or because they have to haggle over 'extras' etc.

The Table below is an attempt to put such perceptions in perspective and to show that Guysuco field workers are not as badly off, earnings wise, as the Union and others in and out of the Industry wrongly project.

The table at paragraph (f) below shows the 2014 Annual Gross Salaries earned by time workers, Charge-hands, Foremen and Supervisors in all the five (5) Salary Bands who work throughout the year. It also shows the 2014 Annual Gross Earnings of various categories of piece workers in field operations who typically work less than a full year simply because work for them is not available everyday of every week of every month of the year, having regard to the 'in-crop' and 'out-of-crop' realities and unavoidable interruptions in the production process occasioned by weather as well as avoidable stoppages due to strikes and breakdowns.

The most revealing conclusion that can be drawn from the data below is the fact that Field piece-workers can, and most do earn significantly more than their counterparts doing time-work and even their Foremen and Supervisors. Such information should be made public by regular professional publicity to remove the myths and stigma that linger about conditions in the industry.

One now wonders even more about the reasons for the ease and frequency with which employees strike or absent themselves from work when work is abundantly available.

(f) Comparative annual Salary Scales vis-à-vis annual Earnings of Piece Workers (2014)

Typical Time Workers

Band (Category)	GAWU – Weekly Scales x 52 - Daily Scales x 5 x 52	NAACIE - Monthly Scales x 12
1	\$ 516 K – 1.0 M	\$660 K – 1.1 M
2	\$ 594 K – 1.2 M	\$696 K – 1.4 M
3	\$ 683 K – 1.4 M	\$852 K – 1.7 M
4	\$ 785 K – 1.6 M	\$1.0 M – 2.0 M
5	\$ 903 K – 1.8 M	\$1.3 M – 2.5 M

2014 High and Mid-Level Earnings in Various Field Operations

Average of Seven (7) Estates

Typical Piece Workers

Field Operations	High Earners	Mid-Level Earners
Harvesting (Cane Cutters)	\$2,470,339	\$1,205,810
Cane Transport	\$2,972,976	\$1,531,664
Mechanical Tillage	\$2,911,193	\$1,448,120
Field Workshop	\$2,672,569	\$1,220,785
Planting	\$1,833,487	\$955,066
Fertilizing	\$1,973,438	\$943,029
Pest Control	\$1,890,380	\$954,196
Weeding	\$870,771	\$497,190

Significant Notes:

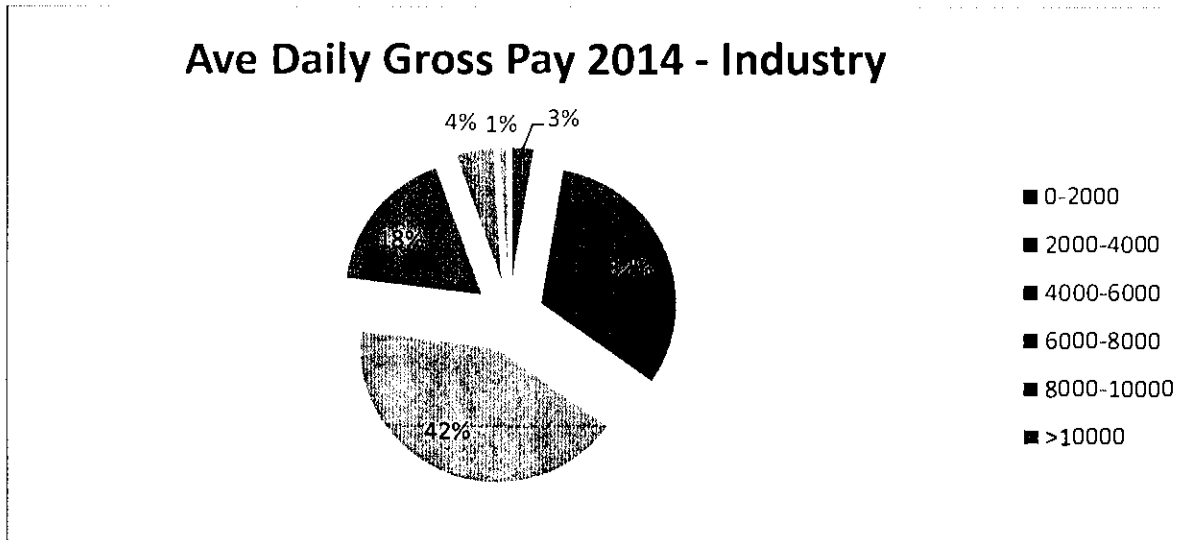
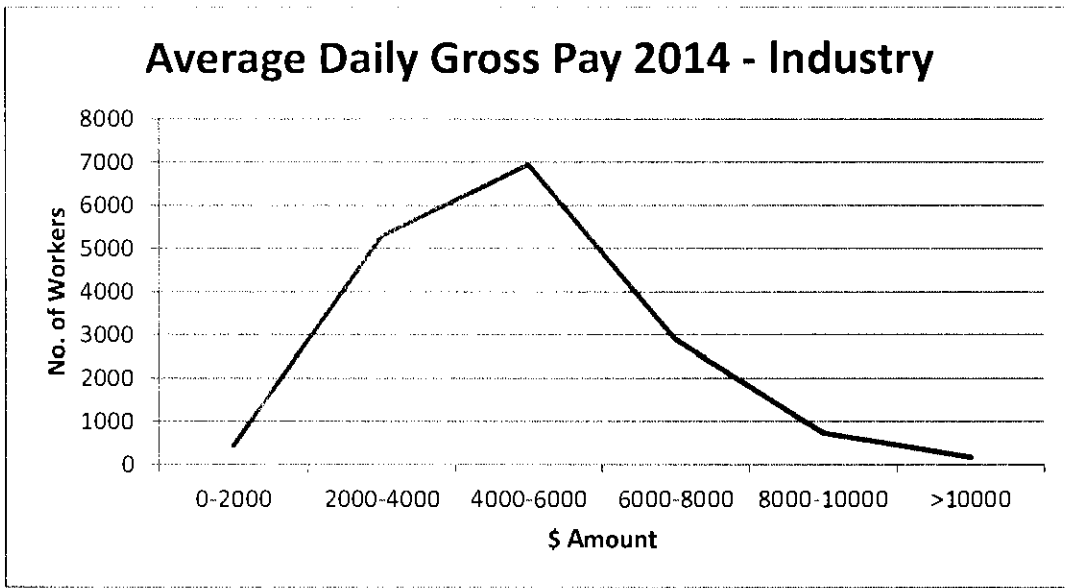
- I. The above scales were arrived at after the Job Evaluation exercises which took into consideration the scales applicable in comparators within the local labour market;
- II. For an extended comparison, the COI obtained the current scales for teachers and civil servants and can now confirm conclusively that the Guysuco scales are superior to what is payable to teachers and civil servants.
- III. Labour cost for cane transport is unusually high because of unjustifiable custom and practices which persists despite their unreasonableness. It is an operation that cries out for outsourcing.

(g) The industry' Average Daily Gross Pay in 2014

The table, graph and chart below are quite revealing of the relatively good earnings potential in the industry. It shows the average daily gross pay for 2014 ranging from \$2,000 to over \$10,000 per day with 35% of employees earning \$2,000 to \$4,000 per day, 60% between \$4,000 to \$8,000 per day and 5% over \$8,000 per day.

Information for Average daily gross pay – 2014 from ISD

	# of employees
0-2000	431
2000-4000	5295
4000-6000	6939
6000-8000	2895
8000-10000	736
>10000	168
	16464



10.0 Staff Welfare:

Guysuco has had an enviable record of providing good occupational health, safety and welfare facilities for its staff and by extension the sugar estate communities. By and large these have been maintained despite their increasing costs in the face of decreasing Guysuco revenues.

10.1 Health Services

The following has been excerpted from the 2014 Annual Report of the Guysuco Chief Medical Officer: As an essential service the Corporation Health Service plays an important role in production through the provision of appropriate, effective and timely medical care to workers and their dependents. The role of the medical service is not restricted to curative care, but as a Primary Healthcare Service, its focus is on the Promotion of Health and Wellbeing of Guysuco's work force. Important aspects of the function of the Health Service include:

- Periodic Medical Examinations
- Health Education and Health Promotion among the Workforce
- First Aid and Emergency
- Disease Surveillance / Monitoring and Evaluation
- Determination of Fitness for Duty

To accomplish the above tasks, the Health Department has a team of Professional Nurses, Medexes and Doctors who are committed to the provision of quality care. They include five (5) Estate Medical Officers, 10 Medexes, 13 Nurses and 20 Nursing Aides working at 15 Primary Health Care Centers plus the Ogle Diagnostic Centre (ODC) and Rose Hall Diagnostic Centre (RDC).

CASES attended to:

Attendance at all Health Centers including ODC and RDC amounted to 104,438 visits compared to 99,232 in 2013. This was a change from the declining trend of attendance over the past several years and maybe due to the Chikungunya and Influenza epidemics which lasted for several months in 2014. Also, many patients may be coming for care at Guysuco's Primary Health Care Centers as a result of dissatisfaction with Government Health Services. The number of cases seen amounted to 153,318 as compared to 135,291 in 2013.

Medical Examinations for Employment:

The number of medical examinations completed on all locations amounted to 3,434. This represents approximately 80% of mandatory examinations of all categories of employees and staff. However, the target is to achieve 100% of mandatory medical examination.

Man –Days Lost:

Man-days lost due to sickness and injuries have a significant negative impact on production and productivity. Total Man-day-Lost (MDL) for Sickness and Injuries in 2014 amounted to 85,485 compared to 74,581 in 2013. Average MDL per illness and injury were 10.4 and 13.7 respectively in 2014. The average MDL per illness remained stable at 10.5 while MDL /injury declined by 3 points when compared to 2013.

Health Education & Health Promotional Activities:

In 2014, great emphasis was placed on building awareness of Alcohol and Substance Abuse among staff and employees of the Corporation. A total of 18 awareness sessions across the industry were conducted to inform employees of the effects of Substance Abuse on health, family, community and production.

First-Aid & Emergency Service:

All Primary Health Care Centers were equipped to handle simple emergencies. Staff were trained in the use of protocols to manage emergencies. Common emergencies were trauma and lacerations to lower extremities and low back injuries. Serious cases were treated and transferred to hospitals by Estate Ambulances. A fleet of nine ambulances made 5504 trips to hospitals transporting patients.

First Aiders on all locations benefited from first-aid refresher courses conducted by Medexes. First- Aid supplies were adequate except for a brief shortage of oral Rehydration Salts which is used for cramps and diarrhea.

Pharmaceutical Supply and Costs:

There was no shortage of essential drugs. However, suppliers were at times reluctant to supply drugs because of delayed payments to them in 2014.

Drugs Consumption Costs in 2014 amounted to \$42,793,037 (GYD) compared to \$37,320,462 (GYD) in 2013. This increased cost can be explained by increased attendance and cases at the Primary Health Care Centers and also by increased cost of pharmaceuticals. The Chikungunya epidemic was costly requiring the purchase of injectable drugs to effectively treat large numbers of cases.

Laboratory and Other Investigative Services:

Guysuco have two Diagnostic Centers located at Rose Hall and Ogle (RHDC and ODC). These centers offer services such as clinical laboratory, X-Ray, Heart Test (EKG), Vision Testing and Hearing.

For the year 2014, 3425 employees /patients had 9480 laboratory tests done. Number of EKG done was 1601 and the number of X-Rays amounted to 445.

Overall Expenditure:

In 2014, total expenditure on Guysuco's Health Service was almost \$300 M GYD.

Recommendations:

- Establish an Employee Assistance Program (EAP) to address Work Stress and Substance Abuse at the work place.
- Upgrade and prepare Primary Health Care Centers for certification and licensing as required by law.
- Peripheral Primary Health Care Centers such as at Enterprise, Lusignan and Better Hope can be phased out since they are underutilized. The few pensioners can be managed at Enmore, LBI and Ogle Diagnostic Centre.
- Intensification of Health Education /Promotional activities to target diseases associated with unhealthy life styles such as Obesity, Substance Abuse, Sexually Transmitted Infections, Heart Diseases and Injuries.

Overall, the health service has been able to satisfy Guysuco's need for pre-employment and preventive occupational hazard medical examinations plus the employees' needs for Primary Health Care. The service should be maintained especially as the public health services are still deficient

and/or inaccessible; the Guysuco service to its employees is seen as part of its enviable corporate social responsibility.

10.2 Occupational Health and Safety (OHS)

The Corporation's Health and Safety Officer has been faithfully producing comprehensive Annual Reports. Based on the repetitive nature of the reports of the last three years, it appears that his observations and recommendations were not taken seriously enough for this critical aspect of Guysuco's Human Resource Management. Following are some highlights of the 2014 OHS report which is a virtual carbon copy in substance of the previous two reviewed.

(a) Industrial Injuries

The LTA/100Km –hrs index (Lost Time Accidents per 100,000 man-hours worked) was 4.4 for 2014 which was in keeping with the same 4.4 average of the previous four (4) years (2010-14) and certainly better than the 5.2 average of the previous five (5) years (2005-2009) and even more encouragingly better than the prior five (5) years (2000-2004) which was 6.6.

Those responsible for this heartening continual overall reduction in lost time accidents over the previous fifteen (15) years deserve to be recognized as champions in an area that needs constant motivational interventions and substantive support.

(b) Illness

For 2014, Seven thousand seven hundred and thirty nine (7739) cases of illness were reported for the industry accounting for the loss of seventy seven thousand seven hundred and forty six (77,746) man-days or an average of ten (10) man- days per person who reported sick. The cases of illness reported increased over 2013 by 11.43% whilst the resulting man-days lost due to illness increased by 4.5%. Security personnel and Junior Staff account for most of the illness- related absence, leaving one to wonder about the about the over-generosity of leave provisions.

(c) Medical Surveillance Program

Guysuco's Policy and the National Occupational Safety Act require medical surveillance for employees exposed to toxic chemicals or other substances that may pose a health risk in the work environment. The challenge for the industry is to ensure that employees keep appointments for their medical examination as everything else seems to be in place.

In 2014, four thousand six hundred and ninety two (4692) employees were scheduled for their annual medical examination of whom an industry average of only 72% attended. The best attendance was at Blairmont with 96% while the worst was at Uitvlugt with 55%. More punctual monitoring and corrective action must be done.

(d) Medical Screening

Food handlers, Drivers, Chemical workers and Clinical Laboratory workers are required to be screened twice per year. Industry wide, Six hundred and thirty six(636) employees were required for screening in 2014;there was an 85% overall compliance with Blairmont again leading the pack and joined by Rose Hall at 100% whilst Skeldon was the worst at a mere 22%; another case of very poor monitoring by the responsible Estate staff.

(e) Bi-Annual Medical Examinations were required for some three thousand four hundred (3400) employees exposed to other hazards like fertilizer handlers, workers exposed to high dust, fumes,

noise and extreme temperatures. The 2014 overall compliance rate was 72%. Blairmont, Albion and Rose Hall achieved 95% while Enmore lagged at 19%. What is the explanation for such wide variations?

- (f) Occupational Health and Safety Training is done regularly on estates; in the past three (3) years about eight thousand (8000) persons per annum were trained. Such 'sensitization' work must be commended.
- (g) Overalls and Personal Protective Equipment (PPE)
The OH&S reports annually bemoan the refrain: "PPE should be purchased with functionality, quality and timeliness and not price". However, in 2014 examples of poor quality, late delivery and short supply continued. Such indifference which may have Industrial Relations spin-offs cannot, should not be ignored. Among the items affected were footwear, gloves, respirators and helmets.
- (h) Improper and Illegal disposal of items issued to sugar workers for their exclusive use
One cannot help noticing the common sight of the green Guysuco overalls, even with the Guysuco logo, on persons not employed by or not doing Guysuco work. It is strongly felt and has been proven in some instances, that there is wide-spread misuse and siphoning-off of tools and equipment and materials issued to Guysuco employees for use in Guysuco operations.
These phenomena raise questions about the apparent generosity of issues by Guysuco with insufficient checks and balances to prevent abuse. This is also a clear case where positive collaboration with the workers and Unions will help prevent further hemorrhaging.

10.3 Community Housing, Water Supply and Social Welfare Programs

- (a) Time was when these programs which were part of the "sweetening of bitter sugar" era of the 1950-60's metamorphosed the sugar estates' communities into oases in the rural landscape. However, with political independence and socio-economic changes at the national level, following the disappearance of the conditions characteristic of the colonial 'logie-days' in the sugar industry, the estates became progressively integrated as part of a uniform rural community.

Furthermore, the social dynamics in the country, including the sugar estate communities, ushered in egalitarian and other sociological changes which saw decreasing use of community centers, girls clubs, Junior and Senior staff clubs, swimming pools and cricket grounds while Restaurants and Bars and Night Clubs, etc proliferated and followed, more recently, by increasing use of illicit substances.

Notwithstanding, the industry spent a total of almost G\$55. M to maintain seven (7) Community Centers and paid 27 employees attached to these centers plus other incidental expenses

- (b) The 'bad' and the 'good' old days have given way to a new social dispensation which affects the sugar industry as indeed it does the entire nation to the point where the current Government has initiated moves towards new 'social cohesion' initiatives as well as the creation of a Ministry of Communities.

(c) Imminent Local Government Elections might also usher in changes in and around the sugar estates enclaves that will further erode if not finally relieve the estate management and estate community from the erstwhile status of 'emporium en emporia'.

(d) Already, the SILWFC (Sugar Industry Labour Welfare Fund Committee) has been miniaturized having virtually completed the program of work for which it was initially set up in the middle of the last century. Based on recent discussion with the Manager of the SILWFC, following is an indication of the current activities:

- Housing Loans: based on reducing number of applications for loans of one million dollars are given to construct new houses and half a million dollars to repair existing houses irrespective of where the applicant sugar worker lives.
- Water Subsidies: are given to sugar workers who apply for same; about one million dollars was given to applicants who in 2014 numbered five hundred (500)
- Resurfacing roads in the estates 'nuclear housing schemes' and villages where over 25% of sugar workers reside.
- Extension of Electricity supply: this is usually facilitated for areas not serviced by GPL. Similarly assistance is provided for installing pipes for water when GUYWA is dilatory.
- Community Centers: no construction or repairs is being done. Gradually these are being taken over by local government authorities.
- Bridges in the areas with significant sugar workers' presence are repaired and maintained.
- Four Bursaries per year are awarded to children of sugar workers based on recommendations from Guysuco.

11.0 Industrial Relations

11.1 Introduction:

Industrial Relations involve the promotion, maintenance and advancement of positive relationships at work through collective, collaborative, coherent and mutually supportive initiatives and approaches for the execution of the Organization's responsibilities. It is premised on the presence of one or more Trade Union(s) which has/have been recognized as 'bargaining agent(s) for particular categories of employees of the organization, operating in the spirit of mutuality and give and take.

It is useful to note upfront, that there is a subtle but significant distinction in the 'primary relationship' between the employer and the employees which is not superseded by any "Collective Labour Agreement' made between the recognized Trade Union(s) and the employer for any category of employees which is a 'secondary relationship'.

Unfortunately, this fact is sometimes overlooked when dealing with issues arising out of, for example, work organization, compensation systems, employment, disciplinary or promotional matters whereby the Unions are 'allowed' by a weak or weakened management to disregard conventional aspects of 'management prerogatives'.

It is instructive to note that recently the Caribbean Court of Justice (CCJ) reiterated what has long been a universally accepted convention, when it highlighted in *Sandy Lane v Brigitte Laurayne: CCJ Appeal No.CV003 of 2012* that “as a prerogative of management an employer must be afforded some measure of freedom and latitude to make changes with a view to re-organizing and restructuring its business”

In the Sugar Industry in Guyana, Industrial Relations has had a chequered history, characterized by mistrust, acrimony, strikes and other negatives which are anathemic to smooth and productive industrial relationships.

Prof. Clem Seecharran’s book : “Sweetening Bitter Sugar” elaborates the progressive, caring nature of successive management regimes in the sugar industry arising out of a more enlightened management philosophy and practice led by Sir. Jock Campbell in the 1950-60’s which revolutionized the socioeconomic and environmental conditions in the sugar industry. Among the many significant initiatives introduced and pursued by the industry under Sir. Jock’s leadership was the Guyanisation of the management, facilitated by aggressive staff training and competency development, which accelerated the pace of technical and human development for the modernization of the sugar industry. Only the most biased will deny that living and working conditions in the industry have improved so considerably that since the late 1950’s sugar workers were as well off, if not better than, most Guyanese. Wages and working conditions including provision of potable water, safety gear, medical and social welfare facilities etc., were improved to levels beyond contemplation in the previous era which earned the sugar industry the accolade of being the employer of choice in Guyana.

Yet, restlessness and agitation among workers have not abated. Even during the current inquiry into the faltering industry the workers and their union appear oblivious to or incapable of facing up to irresponsible behaviors among workers.

Unfortunately, there has been no let up in the incidence and deleterious effects of strikes in the industry. It appears that those responsible for calling and perpetuating these strikes are either oblivious to their detrimental effects on the industry which has long been ailing and is now on virtual ‘life-support’ or they have some ulterior motive to pull the plug so that the industry can collapse. Indeed, it is no exaggeration that the current incidence of strikes in Guysuco is moving towards **Industrial Suicide** in apparent emulation of the Guyanese record of being the suicide capital of the world.

11.2 Incidence, Causation and Impact of Strikes in Guysuco

In the past three (3) years (2012-2014) the industry recorded an average of 212 strikes per year accounting for the loss of over 42,500 man days per annum while the industry badly needs attendance at work. The following table sourced from the Ministry of Labour is quite revealing. It shows that while Guysuco has been averaging over 200 strikes per year, the entire country has been averaging under four (4). How can this be ever justified?

National Strike Data: 2012 – 2014 (source: Ministry of Labour)

	Years		
	2012	2013	2014
Guysuco	198	233	194
Others	5	1	4
Total	203	234	198

The overwhelming majority of these strikes are called during the in-crop period when the 'opportunity days' (i.e. days of ideal operating conditions) are at a premium. Production is increasingly being affected by adverse weather conditions over which Guysuco has no control. The impact of these strikes are so severe on production that invariably management has to give in and make concessions; these conciliatory decisions then add to the list of custom and practices thus further exacerbating the volatile industrial relations scene in which day-to-day operational vicissitudes gain precedence over normal, level-headed, principle-driven managerial decisions.

Expediency becomes the norm while well thought-out, duly-calculated, professionally-developed budgets and operational plans are attenuated by production imperatives compromised by adverse weather and labour relations misdemeanors. In the final analysis management becomes demotivated and demoralization percolates down the line.

While most of the strikes in the industry are about pay-related disputes, the following is a listing of strikes which occurred on one Estate in one year only (2014) over disputes which are not pay-related but which add to the atmosphere of dissatisfaction, unhappiness and instability in Industrial Relations.

The following list is representative of the range of issues that led to unnecessary strikes on one Estate:

- Harvesters claimed that the distance too far from EHP to LBI
- Discrepancies – accumulated weights at EHP Factory varies from D.S.T
- Bell seats were soaked as a result of washing during maintenance
- Clouds of smoke emanating from Lusignan E dumpsite affecting workers
- Lateness of payment from NIS
- Workers were not satisfied with total tons of cane they were paid for from cut & stack
- Worker claimed that H/O staff was very rude to the FWS staff
- The unavailability of long boots and rain coat/suit
- Workers refused to weed plant field at BH 5
- Workers claimed that the scale was malfunctioning and need to be fixed Immediately
- Refusal to weed because of pricing
- Refused to apply fertilizers at MT 72-76v field due to rainfall
- Workers wanted to cut & stack instead of cut & load.

11.3 Anachronistic Custom and Practices:

A continuing Industrial Relations irritant in Guysuco is the insistence on paying for operational practices which have long out-lived their relevance and make no sense in the light of current reality. Below is a summary of 64 such practices with an annual recurring cost to the Corporation of **G\$M180.5**

Even if it is felt that this is a negligible cost to 'buy peace', the attitudinal implications are quite significant. Failure to formally negotiate any rationalization/discontinuation of these anachronisms is an indictment on both management and the union:

Summary of High Cost Customs and Practices on all Estate

Estates	# of Customs & Practices	Cost G\$M/Year
Skeldon	9	33.81
Albion	8	31.94
Rose Hall	15	48.14
Blairmont	8	33.66
East Demerara	9	8.62
Wales	5	12.60
Uitvlugt	10	11.79
Total	64	180.56

(NB: Recorded details of the above are available.)

11.4 Costly Whimsical Strikes:

In the month of September 2015 i.e. during the very course of the work of the COI into the sugar industry there were several strikes which can be considered rather whimsical but extremely costly to both the industry and the workers. One of these lasted a full week involving cane cutters at Uitvlugt estate. Attached is copy of a report from the management of the estate summarizing the details concerning this unnecessary strike. (See attachment HRM -6)

Another obviously senseless strike occurred at Blairmont estate during the week beginning 13th September 2015. It started with a strike by the Cane Cutters at Bath section of the estate who unjustifiably claimed extra payment for canes that were wrongly perceived to be 'overrun' i.e. old and likely to be light. This strike by the cane cutters resulted in the factory not having enough cane to grind and therefore the management decided, as is customary in such situations, to call off one shift. The factory workers did not take kindly to this and decided to call a strike. At the time of writing this factory strike has already lasted two days and there is no obvious end in sight. The production workers throughout the estate are obviously losing pay and the estate is losing much needed production.

11.5 Payments to Union Reps for "Witnessing" Cane Scale Tests:

This is another example of a well-meaning, good-intentioned concession made in good faith by management many decades ago to appease cane cutters about the accuracy of the Estates' cane scales. Harvesters have a natural and understandable interest in the cane scales accuracy because they are paid by the weight of the canes cut by them. But management has an equal interest in the

accuracy of the scale because the weight of the canes harvested is a critical factor in measuring the efficacy of various agricultural inputs and practices which guide current and future costly managerial decisions. It must be noted that the presence of an independent government-appointed customs officer is mandatory for all cane scale tests. Also, there was the constant presence of a government-paid 'Cane scale Supervisor' but that has now been replaced at least on some Estates by a regular Estate-paid Cane Cutting Representative.

In the past testing was not done as frequently as is being demanded now and the number of representatives witnessing the tests was significantly less.

Now the workers demand weekly tests and often 'find' reasons for more tests. They also demand the presence of all cane cutting representatives (average 12 per estate) who must each be paid an 'average day's pay' irrespective of the time taken to do the test (typically a couple of hours). What is virtually 'criminal' is the insistence that all representatives be invited and paid even when the canes are moved from one Estate to another for processing. In other words, if for example, Albion grinds Skeldon or Rose Hall canes because of occasional breakdowns or one Estate's crop ends before the other and its canes or cane cutters can be accommodated by another still-grinding Estate, the representatives from the volunteering estate demand to be present and paid for the scale test at the host Estate.

What should be deduced from this lengthy description is the obvious manipulation of an originally well-meaning management gesture. The worst case interpretation is mistrust and disbelief in the integrity of management or imputation of 'feather-bedding' on the part of union representatives.

Payments for witnessing cane scale testing done at all location for the year 2014

Estates	Total # of Tests	Total Payments to Reps G\$
Skeldon	35	1,277,000
Albion	34	2,025,000
Rose Hall	25	1,330,000
Blairmont	45	2,825,000
East Demerara /Enmore	37 *1	7,165,000
Wales	36	2,007,000
Uitvlugt	43 *2	1,454,000
Total	255	18,083,000
Average per Estate	36	2,583,000

Notes

*1 Enmore has a total of 17 Harvesting Representatives which include the Representatives from Ogle. The abnormally high cost of over G\$M7.1 shown against Enmore is accounted for largely by the fact

that invariably each weeks scale test at Enmore is spread over more than one (1) day for various 'manufactured' reasons.

- *2 Uitvlugt representatives were paid a total of \$302,793 for 12 tests conducted at Enmore when Uitvlugt harvesters worked at Enmore.

The expensive futility in all the above is the objective fact that cane scales at all factories have been converted to Load Cell type. These load cell type scales are very accurate and do not require the adjustments that were necessary when knife-type supported cane scales were used at all factories. There is therefore no longer any need for workers' representatives to be present to verify for themselves the accuracy of these scales. This costly anachronistic practice must be discontinued. Testing should be done only if and when the Load Cell malfunctions which is rare.

11.6 Unsustainably High Employment Costs:

As discussed elsewhere in this report, a major recurring problem in the industry is its inability to produce sugar at or below the prevailing price of sugar. So far the industry has been highly labour intensive and while recent efforts at mechanization have made interesting numeric dents in requirements for manual labour, the industry is still highly labour intensive. No wonder therefore that labour cost feature prominently in total cost of operations.

Employment cost as a percentage of the total cost of operations has been rising steadily over the years: it currently stands at 65% and will rise significantly if the current demands for increases already submitted by GAWU, are conceded as has been done in the past.

Unlike normal or conventional consideration of the employer's ability to pay, the market forces of supply and demand and corporate social responsibility to pay at or preferably above the national minimum wage, the prevailing cost of labour in the sugar industry has been and continues to be influenced largely by the relative perceived strength of the leaders and representatives of the employees vis-à-vis the management of the corporation. (The Ministry of Labour as the nominal conciliator in unresolved disputes has been largely irrelevant or ineffectual in this scenario).

The Collective Labour Agreement between the employer and the employee for the Avoidance and Settlement of disputes signed by GAWU and the Corporation (initially Guyana Sugar Producers Associations and subsequently assumed by its successor, the Guyana Sugar Corporation) is regularly breached.

11.7 Daily Haggling Over Extras:

By far the most prevalent, considerably more costly, irritating and subjective disputes/strikes surround the daily haggle over the pricing of "extras" for what are perceived to be abnormal working conditions. These range from varying levels of "obstacles" such as uneven land preparation, weight of cane, prevalence of weeds and vines and similar impediments to the normal conditions of work which are perceived to minimize the earnings of the affected employees. It is worth noting that many of these 'obstacles' result from poor work standards by workers themselves.

Normally these obstacles and impediments are acknowledged by Supervisors and Managers who, after doing their own assessment with or without involvement of union representatives would offer extra payment over and above what would have obtained under perceived normal conditions.

The initial offer is usually made at the lower levels of the management structure, typically the Foreman or Supervisor, but this is more often than not seen as a preliminary base on which higher levels of management will almost automatically add. Often, to ensure such additions, the local representatives call a strike which then has to be settled the same or subsequent day/days following intervention by officials from the Head Office of the union as well as the Head Office of Guysuco. The frequency with which this charade of 'negotiations' occur lend some credence to the impression that union representatives "feather their own nest" in pursuit of what is referred to in the industry as "average days pay".

Average days pay is the payment made to representatives for their involvement in the settling of disputes which they themselves often engineer thus personally benefitting from the strikes while the workers for whom they presumably make representation lose much more in the form of lost wages during recurrent strikes. More significantly, the industry loses production by the withdrawal of labour; therefore, both workers and the industry suffer while the personal enrichment and /or skiving off to meetings by the representatives continue unabated.

A possible solution: This situation cries out for a solution; it may be averted by the following approach: a time frame should be agreed in advance by negotiation at the industry level for completing a normal day's work for a normal days pay under normal conditions. Say this is 4 hours. Everyday workers take up work allotted to them irrespective of the perceived presence of obstacles and hindrances. At the end of the work day after the workers would have completed their allotted task, the time spent on the job is calculated and acknowledged. If this time exceeds the 4 hours for normal working conditions, then payment for extras is made at the prevailing industrial rate for time work.

This arrangement will obviate haggling before the start of work and provide a more objective basis for determining the effect of obstacles.

11.8 The Supervisor and Supervisee in the Same Union:

In the 'good old days' the Field Foremen had their own trade union (The Guyana Head Men Union); now they belong to and are represented by the GAWU which also represents the very workers who are directly supervised by them. It is not difficult to fathom the dangerous, deleterious results that can ensue from this unholy alliance.

There has been much justifiable concern about the poor standards of 'in-field supervision'. There can be no doubt that the quality of in-field supervision which falls squarely in the lap of the Field Foremen suffers sufficiently to warrant discontinuation of this incestuous unionization.

Indeed one is tempted to apply the same arguments for upgrading the role of the Field Charge-hand who is also in the same union as the workers of whom s/he is in-charge. Responsibility for in-field supervision is also within the bailiwick of the Charge-hand; a revised Job Evaluation program might very well justify the placement of the Charge-hand in a higher, distinct category of supervision, and outside the ambit of GAWU.

11.9 Collective Union- Management Agreements plus Management Circulars:

There is a plethora of these which govern a multitude of matters in the Industrial Relations / Human Resource Management arena. This is challenging especially for new staff. Their currency, relevance,

interpretation and impact are wide-ranging; to understand and apply their provisions correctly can be a nightmare for established, let alone new staff; failure to interpret them correctly can be costly.

It would be of immense benefit if these agreements can all be rationalized, simplified and documented in a user-friendly, accessible form in one or two comprehensive labour agreements or a hand book for use by supervisors, supervisees and union representatives.

11.10 Conclusion:

The sugar industry has been in a crisis mode for a long time; it is still in severe financial straits and is surviving only on substantial bail-outs from government; this is obviously an untenable situation. Three major contributors to this crisis situation are (a) mismanagement of the industry; (b) declining yields from the Estates' cultivation (while the yields from private cane farmers' cultivation continue to be superior); and (c) increasing employment costs which now borders 65% of total operating costs with no apparent prospect for containment or reduction unless radical changes are made in the endemic industrial relations practices.

Clearly, the need to think and act outside the 'proverbial box', to take bold, unconventional steps to deal with the morass into which the industry has been plunged is most pressing. The great reformer of the 16th century, Martin Luther, said: "**wrong is not less wrong for being long upheld.**" Therefore, the dogma of conservatism embedded in the doctrine of 'custom and practice' which is held sacred in the sugar industry must yield to the vital, required changes indicated in this report.

12.0 Communication:

One gets the distinct impression that in recent years Guysuco has progressively ignored the importance of regular, sincere and meaningful communication as a powerful and effective tool to engage and motivate staff, to gain and retain their loyalty and their commitment to the corporation.

The resulting void has been filled by ambitious and assertive trade unionists, by power hungry politicians and by ever-present opportunistic competitive forces and organizations ready to capitalize on the weaknesses of a defaulting management regime in Guysuco. It is dangerous and deleterious to limit staff communication to e-mail directives and cell-phone messages or official circulars. Personal interactive communication must not be ignored.

An organization the size, spread and complexity of Guysuco needs much more than the current weekly "Guysuco Round-up" TV program to advertise the corporation and keep its employees in tune with what is happening, what needs to happen to improve the corporation and to win the interest, motivation and goodwill of its employees, customers and the country at large. Despite its current weaknesses the sugar industry has contributed and can still make valuable contributions to Guyana. It is above all a good competitive employer and these positives must be assertively marketed.

A dedicated Communications Unit, well-staffed with appropriate professionals, is a must as opposed to it being a subordinate function within the HR Department. Some of us are nostalgic about the positive impact "Booker News" and "Employee Information Sessions" had in the Industry before nationalization.

Besides an assertive public communication program, direct employee communication between and among the various levels of employees and functionaries of the corporation is essential to regain the hearts and minds, the trust and confidence of staff who are now in the mental grip of the Unions and politicians. The absence of positive news about the people and the achievements of the industry/corporation/cane-farmers, etc raises the profile and impact of the negatives about sugar and its people which find prominence in the news from time to time. The need to reverse the focus is paramount.

13.0 Leadership and Management of the HRM Function:

The world has recognized the value of an effective HRM function in industry, government and non-governmental organizations. In a highly labour intensive industry like sugar, widely spread along coastal Guyana and operating in a volatile human relations environment like we have in Guyana, the Human Resource Management function in Guysuco requires strong, dynamic, professional and pragmatic leadership with a leader who personifies professional integrity and moral rectitude. It must also be realized that even the best HRM leader will require consistent, reliable top management support.

From various informal sources and reports, including some derived from the latest of several previous H.R. Directors, top management support has been wavering or made difficult by 'political' directives. While one cannot rule-out the possibility of self-serving, self-protecting or self-promoting alibis, the high turnover of H.R. Directors in the last 15 years (an average of one every 2-3 years with the latest being exceptionally longer) might lend some credence to the apparent inconsistency of top management support.

For months before and during the life of this COI, the H.R. Director's position has been vacant and is likely to remain so for some time yet. Obviously there is no internal staff member who can be considered suitable for the position now or in the near future.

Further exacerbating the situation is the fact that with but few exceptions, the competence of several unit leaders and managers of the function at Head Office and the Estates appears deficient.

Simply put, Guysuco cannot allow such a state of affairs to continue and must take immediate action to acquire an experienced, competent HRM Director who can hit-the-road literally running to ensure immediate implementation of the many well-founded recommendations already contained in this report.

For emphasis it is stressed that this Report is prepared by an accomplished HRM/IR practitioner and Consultant with significant experience in the sugar industry itself. What is now required is not more consulting but a practical implementer who has the physical and professional strength, courage and conviction to execute and implement the recommendations contained herein.

14.0 Summary of Recommendations:

(a) General Recommendations:

1. (a) The management of Guysuco must manage the Corporation within the policies and guidelines set by the Board and be insulated from undue influences or interferences from political or similar external sources.
(b) The unions and management must be guided by generally accepted ILO approved industrial relations conventions enshrined in the Agreements signed between them and Guysuco including respect for generally accepted management prerogatives.
2. Having regard to the continuing parlous financial state of the industry, the prevailing levels of wages, salaries and fringe benefits should be held at their current levels for at least this year. Future negotiations should be guided by the findings and recommendations of this COI.
3. Serious efforts should be made to settle disputes and disciplinary matters as per existing procedures and practices without resorting to strike action. Any major issue including serious disciplinary matters which cannot be settled by mutual negotiations at estate or corporate level shall be referred to the Ministry of Labour for adjudication and final decision.
4. Future negotiations should focus on a new proficient system for determining wages, salaries, benefits, incentives and related compensation matters, including Job Evaluation. Particular attention should be paid to incentive schemes which encourage and ensure full, regular attendance at work, productivity and profitability. Negotiations must be guided by international best practices i.e.:
 - I. the employer's ability to pay;
 - II. external relativities;
 - III. internal relativities.

(b) Specific Recommendations arising from this Report:

1. Organization and Staffing Structure

- Restore corporate leadership of the Agriculture and Factory Operations functions to the Directorate level. Provide for a leadership position to fast track mechanization.
- Integrate the leadership of the HRM & IR functions under one Director, the H. R. Director.
- Return the reporting relationship of the Estate Human Resource and Finance Managers to the Estate Manager; provide for a position at estate level to coordinate mechanization.
- Fast-track full integration of LBI & Enmore to quickly realize consequential economies and potential revenues from disposal of surplus assets including valuable land.
- Restore Field Charge-hand level and phase out Field Superintendent level.
- Discontinue unholy alliance of Field Foreman and the workers they supervise being in the same Union.

2. Management of the HRM function

- Urgently fill vacancy for HR Director
- Re-orient the Staff Training & Development function and restore Guysuco Management Training Centre.

- Review and revise Succession Planning
- Improve compliance with mandatory medical surveillance, screening and examination for workers exposed to hazards.

3. Communication

- Improve and enhance corporate public communication strategies as well as management-employees communication to restore image of the industry being the employer of choice in Guyana.
- Greater publicity must be given to the relatively 'superior' earnings power of rank and file workers especially cane cutters.

4. Operational Efficiencies

- Minimize Time Work; maximize Piece/Job Work
- Revise formula for qualification for Holiday-with-pay and related incentives and benefits.
- Reduce Sunday work to essential services and explore potential for normal work week of 5 to 6 days from Monday to Saturday.
- Outsource as many operations as feasible. e.g. Cane Transport (as has already been done for Bulk sugar and Labour transport).
- Increase use of Information and Communication Technologies, Automation and Mechanization.
- Collect, analyze and present regular labour productivity data in the same way TCH and TC/TS, juice purities and other field and factory performance indices are monitored. Simple but revealing data such as MD/TC (Man Days per tonne cane); MD/TS (Man Days per tonne sugar); MD/HP (Man days per Hectare planted); MD/HF (Man days per Hectare fertilize) etc., must be presented regularly for productivity and cost control as well improvement in supervision and management.

5. Un-necessary Practices

- Discontinue witnessing of Cane Scale Tests
- Discontinue payment for employees' participation in courses run by GAWU Labour College.

6. Others

- Introduce flexible, open-ended Retirement and invite capable, respectable retirees to function as on-the-job trainers, coaches, counselors.

-----END-----

COMMISSION OF INQUIRY INTO GUYSUCO

QUESTIONNAIRE

on

- ORGANISATIONAL STRUCTURES
- STAFF PROFILES
- STAFF TRAINING & DEVELOPMENT
- SOME GENERAL HRM ISSUES

(To be completed by relevant Staff at Guysuco Head Office and individual Estates)

COI/GUYSUCO/HRM JULY 2015

(A) Head Office (HO) Organization Charts & Staffing Structure

1. Reproduce the current organization structure showing reporting relationships (vertical & lateral) between:
 - The Board & CEO
 - Executive Management Team (Functional/Departmental Heads)
 - Estate Managers
2. Reproduce the hierarchical structure within each Department/Division/Unit/Function, setting out numbers of incumbents alongside each position (or vacancies where they exist).
3. Add brief general comments on the adequacy and competency of the different categories of staff to achieve planned productivity/efficiency targets of various units.

4. **Head Office Management & Supervisory Staff Profiles**

Provide the following information in respect of all Executive/ Managerial/ Technical/Supervisory staff

- Name
- Age at Jan 01, 2015
- Total Service at Jan 01, 2015
- Service in current position at Jan 01, 2015
- Qualification – List highest academic/professional qualifications and year achieved
- Training – Specify all relevant training; year and respective period involved

(B) **Estate Organization Charts & Staffing Structure**

1. Reproduce the current organization structure from Estate Manager to lowest levels of ‘senior’ staff, in each major operation, e.g.
 - Field/Agriculture
 - Factory
 - Finance
 - Human Resources
 - Other (if any) e.g.
Packaging Plant
2. For each of the above areas show the existing levels of management and supervision down to charge hand in the various operational units e.g. for the field: mechanical tillage, crop husbandry, cane harvesting, workshop, etc.
3. In respect of each of the foregoing functional departments/ operational units show for all managerial and supervisory positions:
 - the approved establishment
 - the actual staffing
 - the vacancies
4. Comment generally on the competency, adequacy, attendance, etc of the managerial/ supervisory/operational staff to achieve the various planned production/productivity/efficiency targets.

5. **Estate Management & Supervisory Staff Profiles**

Provide following data on all Management/Supervisory/Foreman categories:

- Name
- Age at Jan 01, 2015
- Total service at Jan 01, 2015
- Service in current position at Jan 01, 2015
- Qualification –List highest academic/ professional qualifications
- Training—List all relevant training, year and respective periods

(C) Human Resources Management

1. Furnish copy of each current agreement negotiated with GAWU and NAACIE
2. Furnish salary structure currently in effect for monthly-and weekly- rated employees represented by NAACIE and GAWU
3. (a) Furnish detailed information on existing (i) basic rates of pay, (ii) the various additional incentive payments applicable to operatives in various units of Field, Factory , other operations.

(b) Furnish table of comparative rates effective for the previous 5 years (if different)

(c) Furnish detailed information on respective production bonus incentive payments made for each of years 2010 to 2014, clearly indicating the number (qualification) days for which each year payment was made.
- (4) Furnish copy of Job Description for each:
 - a) Management and Supervisory Position in the Head Office
 - b) Management and Supervisory Position on Estates
- (5) Furnish blank copy of Performance Appraisal Form used for evaluating performance of:
 - a) Management staff
 - b) Supervisory staff
- (6) (a) Tabulate number of departures from each of the categories below in each of the years 2010 to 2014:
 - Head Office Management Staff

- Head Office Supervisory Staff
- Estate Management Staff
- Estate Supervisory Staff

(b) Highlight existing critical vacancies in each of the above categories

(7) (a) **Apprentice Training**

- Specify trades for which training has been provided for each of the 5 years (2010-2014)
- Prepare table for same period showing for each trade:
 - a) intake (b) graduates (c) dropouts (d) current status

With respect to d) prepare table showing placement in various operational units, and positions held.

(b) Comment on the i) adequacy of the apprentice training curricula to satisfy the increasing mechanization needs of the sugar industry; ii) those of other new technologies, including IT.

(8) (a) Furnish full information (including actual copies) on all in-house and external training programmes conducted in years 2010 – 2014; and comment appropriately on the level of impact achieved on the respective operational units and/or trainees as the case might be.

(b) Indicate any other training initiatives that have been or can be taken for and by whom.

(9) Recruitment: (a) Comment as extensively as possible on the recruitment strategies undertaken in light of the chronic shortfall of required skills and apparently increasing incidence of vacancies; (b) comment also on the use or non-use of advertized vacancies; (c) What other means of publicizing vacancies have been used?

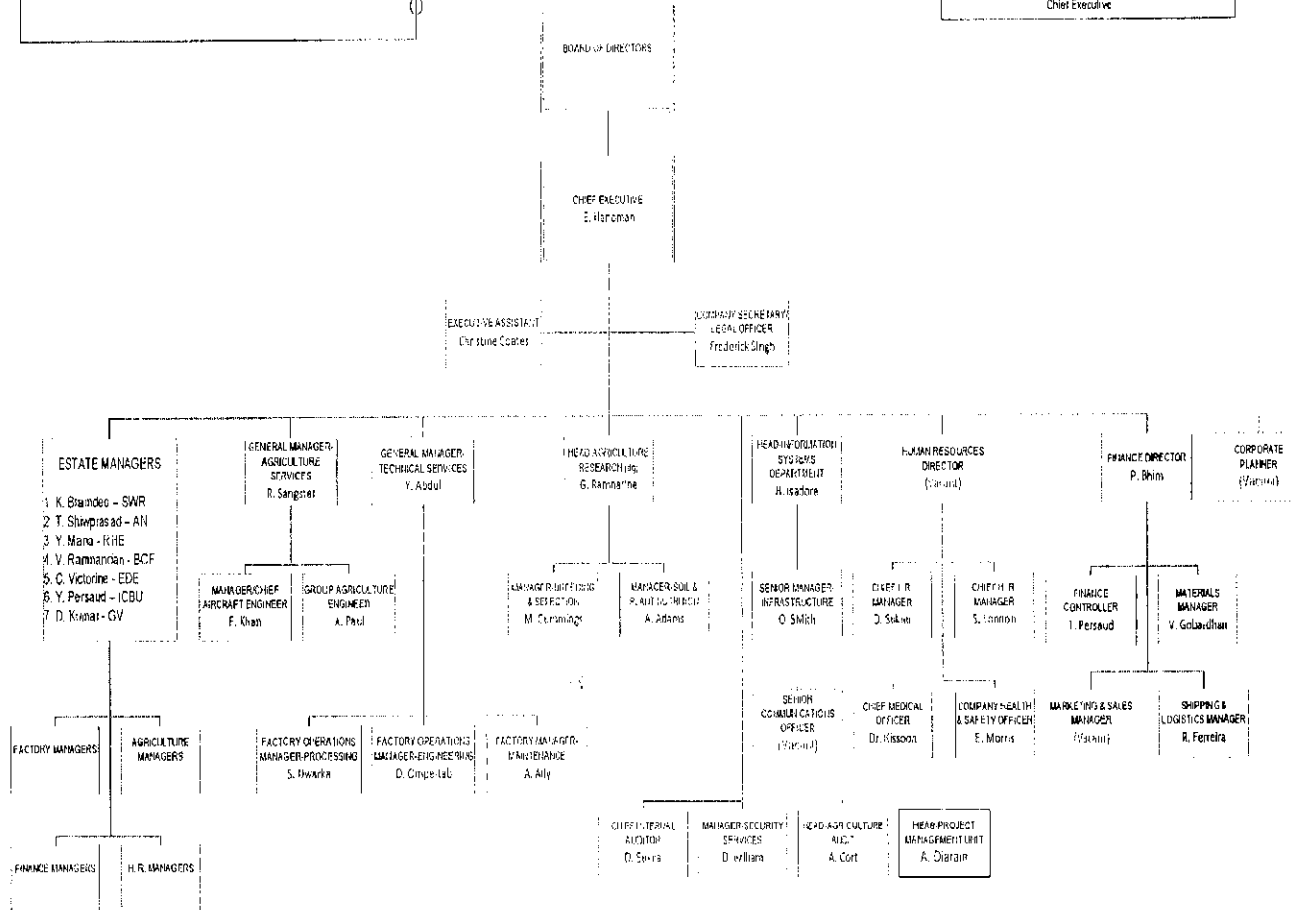
(10) In light of all the foregoing and other intelligence available, attempt a ‘SWOT’ analysis of Guysuco or your Estate from the perspective of its

- | | |
|--------------------------|------------------------------|
| (a) Management style | (b) Managerial competence |
| (c) Supervisory capacity | (d) Human Resource generally |

THANK YOU!

Guyana Sugar Corporation Inc
7/21/2015

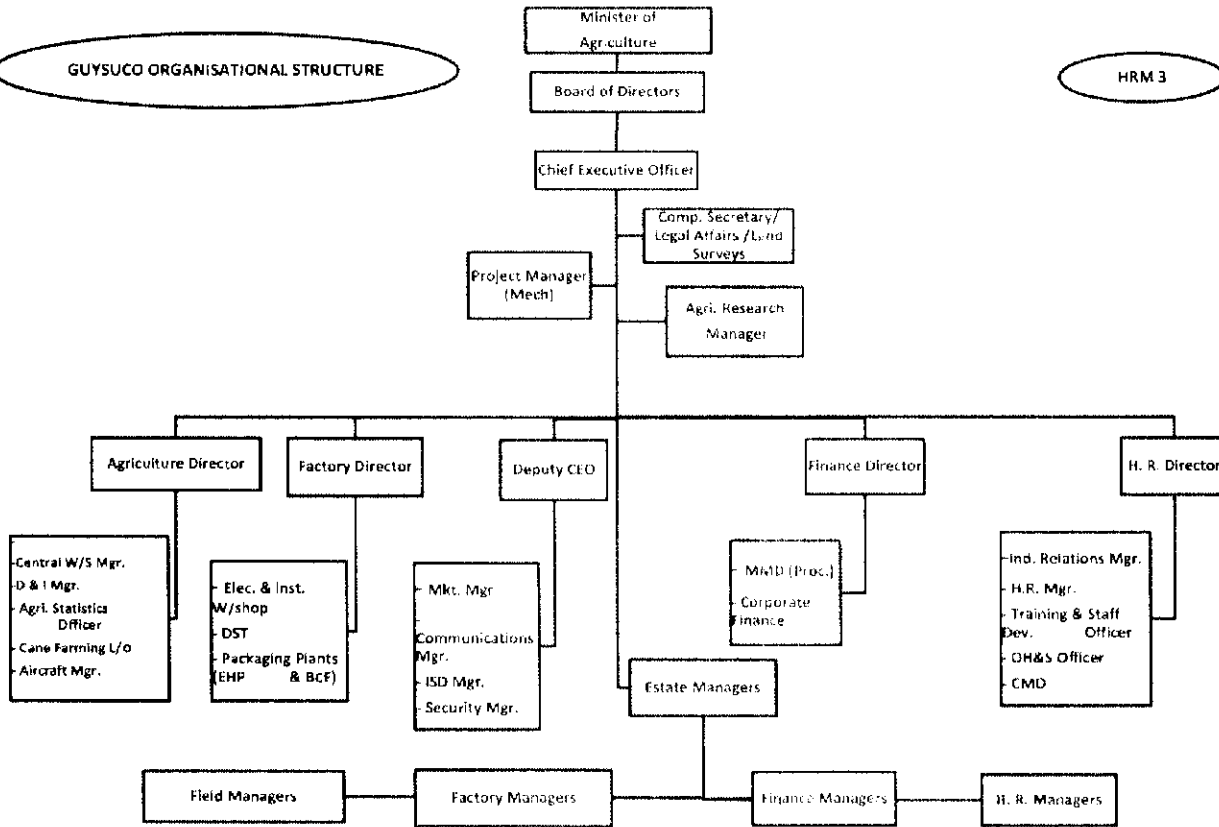
Approved By: _____
Chief Executive



The position of the boxes on this chart are for purposes of identifying reporting relationships only. They are not meant to portray either status or grade.

GUYSUCO ORGANISATIONAL STRUCTURE

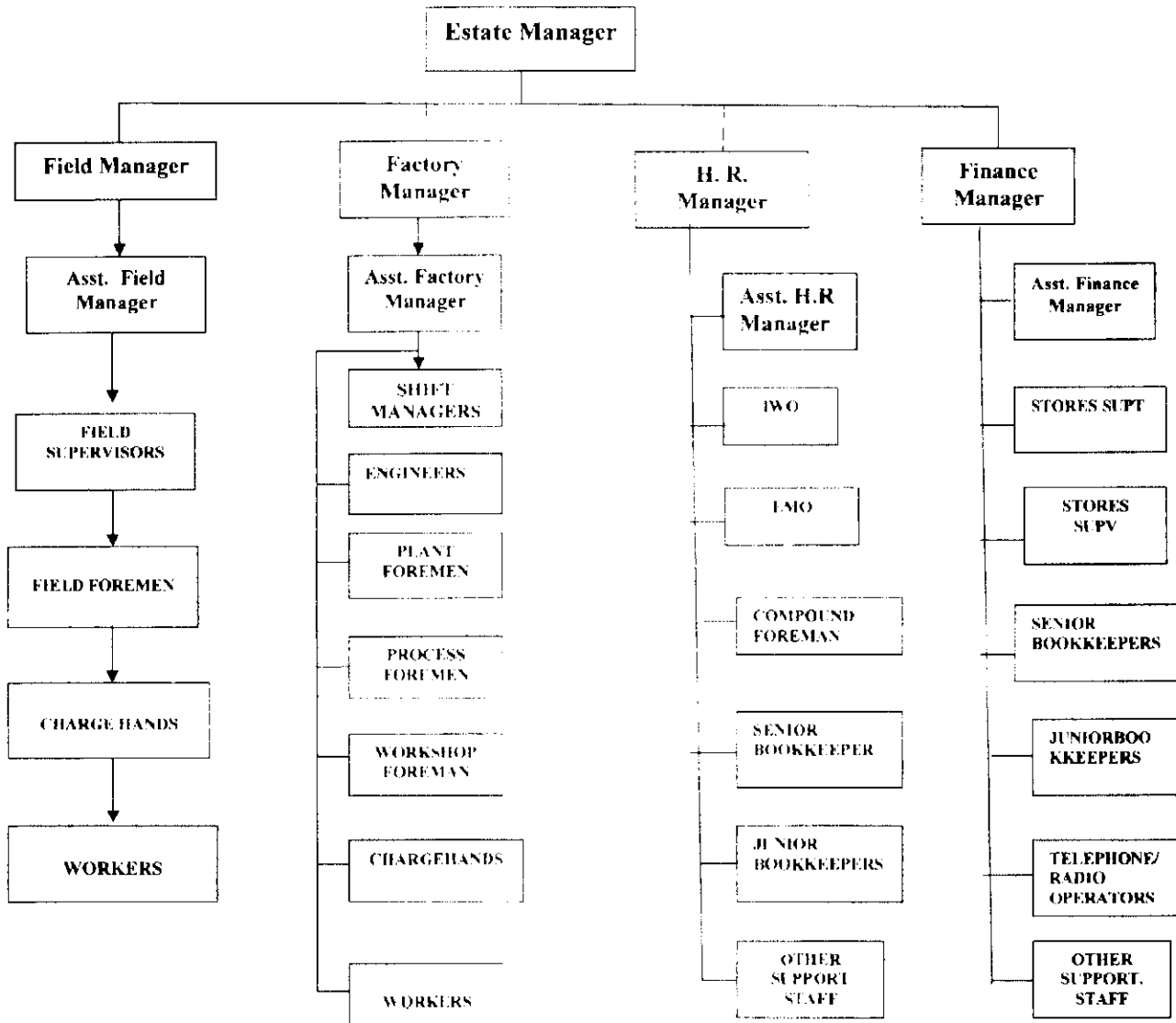
HRM 3



The locations of the positions in this chart are not meant to portray status or grade. They are meant to show reporting relationships only.

Typical Estate Organogram

HRM 4



The locations of the positions in this chart are not meant to portray status or grade.

They are meant to show reporting relationships only.

Developing a Cadre of versatile field machinery operators

Guysuco has a rich history of methods/ systems used in the past to develop field machinery operators and staff, special reference being made to the role of the Field Equipment Department / Field Equipment Experimental Unit in this process over past years.

Ensuring the effective maintenance and efficient operation of field equipment has a number of distinct advantages namely:

- It will maximize return on investment
- Reduce operational maintenance cost
- Allow for maximum utilization of the limited opportunity time
- Improve machinery/ field productivity
- Enhance earning capacity of operational personnel
- Significantly contribute to work objectives

This all leads to improve output (sugar production)

To realize the benefits as stated above among others, there is need to have a well-trained and discipline group of operators and staff. This can only be achieved by training (classroom/ on the job- infield) and contractual obligations. The union will have to be supportive and play an integral role in giving guidance to its membership; they must be just in addressing issues, the union needs to shift focus giving priority towards securing production.

Currently operators are grouped into areas of operation e.g. tillage, crop husbandry, mill-dock, harvesting departments. This by itself creates a basis for specialization/ separation. Depending on the culture/ customs and practices of the location operators may agree to assist in other areas of operation other than their department depending on circumstances and to some extent compensation/ payment.

Relative to payments practices, there are three distinct methods thus:

- an personal rate –which is the employee basic rate of pay,
- a machine operating rate – which is applied when the operator operates the specific machine (note: that the higher of the rate is paid – personal versus machine,
- a piece (job) rate for the specific job being done e.g. tillage, cane transport etc.
 - all of the above are binding thru agreements.

Notes:

- All field machinery is classified into three groups, A, B, & C with a group assigned rate
- Personal rate is based on category placement and years of service e.g. Operator grade I or Operator grade II.
- Historically when the grading system was implemented – a person was appointed to a grade thru an evaluation process whereby there was specific capability/ conditionality requirement for each grade. This process have become somewhat clouded after the job evaluation of 2011, there is no clear distinction regarding the grading and reclassification of operators.
- The payment system needs to be reviewed.
- Also, there is the situation where tillage operators are reluctant to perform piece related activities on week-end (Saturday/ Sunday) simply because the total time related earnings

adds up to more than the job related earnings. This will inherently influence productivity on week-ends.

To develop an operator or operators' group whereby each operator can operate any one of the machinery on location the following will have to be addressed:

- The classification of operator into heavy, light tractor operator (assigning to a specific group) will have to change to Operator I, Operator II and Operator III – I being the highest category and III the lowest.
- The requirement for the classification need to be established and the process for progressing to a higher grade need clear guideline.
- Need to review the payment structure so that there is a progressive benefit/ incentive for operators to move upwards in category/ group and doing piece rated tasks. The piece rated task should give the highest benefit.
- Training and development – well defined programmes need to be established. One of the criteria for grade appointment must be completion of the required training. The other being the ability to operate a specific group/ pool of machinery-implement combination.

However, completion of the training does not automatically guaranty appointment in any grade. This will have to be based on requirement as each grade should have an established number of operators. Actual movement must be by vacancy.

- Terms of conditions of employment need to include the clause
 - That an operator can be detailed to operate any machine or perform any operation falling under his category or below his category.
 - Where an operator is tasked with performing a job below his category –he will be paid higher of the rate between his personal and machine rate or where applicable the piece rate will take precedence.
- One of the required task for operators must be the basic schedule I service for both machine and associated implement
- In addition, it must be a requirement that operators actively participate in general maintenance of any machinery by assignment in the field workshop.
 - All payments for maintenance activities shall be at the personal rate.

The idea of developing operators into operator/tradesmen whereby they could actively carry out repairs when required hasn't been successful over the years except for the period during the 1980's when there was a special mechanization team/ drive. This however is the direction that needs to be pursued as the contribution of mechanized operations becomes more significant.

The operators/ tradesmen group need to be developed into a separate category (A & B classification). For example there could be a category IA for operators, Category IB for operator/tradesmen in each group.

- The personal rates of pay will be higher for an operator/ tradesman.
- The main criteria must be a person no less than a grade II mechanic to be considered for appointment to any operator tradesman category.
- They will have to undergo operators training for between 3 - 6 months based on preliminary evaluation.

- All assessments/ progress reports must be ratified by a central training/ technical team to ensure consistency at all locations.

To develop such an operating environment may necessitate the formation of central technical/ field engineering team that among other responsibilities could

- Develop & review periodically, guidelines to achieve desired corporate objectives
- Examine and ensure application across location are similar and consistent with expectation
- Review operational practices in order to update guidelines/ rates

Uitvlugt Estate review of strike action – 30th August to 5th September 2015

For the period 27th Aug to 2nd Sept 2015, manual harvesters were required to harvest canes at Anna Catherina (ACS) ^{east} fields 26 to 58, and Zeeburg (ZB) fields 44 & 46. Table 1 and 2 below shows summarized productivities and extra (obstacle) payments for work completed.

On 30.08.2015 at ACS, cane harvesters (required to cut & stack) refused to take up work (task) unless an obstacle price was given to them. **They were advised to take up their task before an assessment of their demand could be made.**

101 harvesters refused and left location, 74 harvesters took up work and their obstacle demand was assessed and payment ranging from \$ 0 to \$974 per man was made, productivity range from 2.83 to 6.51 tonnes cane per man as compared to a normal task of 5.0 tonnes cane per man, cutting and stacking canes.

The 101 persons demanded without taking up a task an obstacle payment of \$2,443 per man. Management could not have determined what the demand was for since the task was not identified.

On 31.08.15, 435 harvesters turn out at the order line and demand obstacle for the area being harvested at the following rates:

- Uit 8A – working at Anna Catherina 26 -36: \$2,198 to \$3,664 per man
- Plc – working at Zeeburg 44bal - 46 demand \$1,832 - \$3,664 per man
- DK8 – worked at Zeeburg 44bal -46: \$2,198 to \$4,397 per man

Note:

Cut and stack = 1.5men per punt

Cut and load = 2.5 men per punt (3men= 1punt or 5 men =2 punts)

All significantly higher than payment made the previous day as per table 1 and 2, **it must be noted that they were all advised to take up their task before any obstacle payment for the task could be given/agreed.** They refused and went home from the order line.

The extras (obstacle) is being paid on a time loss basis, whereby harvesters are being paid an additional sum (extra) based on the extra time spent on the task because of the field condition – grass, vines, ground condition etc. harvesters are expected to spend 6 hours on the job (normal conditions).

Under normal situation they would earn on average \$4,000 cut and stack (5 tonnes at \$795/t), however with the demand the earnings would be in the range \$5,378 to \$6,844 inclusive of payment for 4 tonnes of canes (4x 795 = 3180). The normal working hours would have been from 6am to 1pm).

Following the strike action personnel from Guysuco and the Union visited both locations and Guysuco made the following offer:

- Zeeburg 44, it was agreed that payment will be within the range \$229 to \$1145 per man, the demand was \$1,832 - \$3,664 per man.
- Anna Caterina 30 was visited and the offer made range from \$229 to \$1374 per person, the demand was \$2443 to \$3053 per person.

The union representatives did not agree to the offers made. The Estate Management indicated that the offer made was final. The representatives' reaction to the offer was **'the cane will rot in the field'**

On 1st Sept 2015

- Strike continues, 176 persons turnout at the order line and 162 went home
- It is also the understanding that the group of workers who turned out to work at the order line was being discouraged by the representatives from going to take up work (DK8 & Uit 8A) – the message from the reps to the workers was **'if they don't hold now for price they will suffer more as the crop progresses'**

On 2nd Sept 2015

Strike action continue with only 66 persons coming to the order line, 12 actually taking up work loading 4 punts. The majority did not turn out.

- The AFM spoke to the temporaries who turn up at the order line about their absence from work, their response was "they are supporting their colleagues"; also the representative present indicated that if Management takes any action against the temporary the factory will remain close for the crop.

Table 1: Harvesting block Anna Caterina fields 26 to 58

Date	Day	Field #	# of persons	Punts	Productivity range t/man	Obstacles/ extra payment \$/man	Start time	Finish time
27 th Aug	Thursday	50/58	184	125	2.86 – 7.97	0 - 933	6:15am	12 mid-day
28 th Aug	Friday	44/48	182	129	2.44 -7.25	0 - 1025	6:15am	12 mid-day
29 th Aug	Saturday	32/48	224	154	2.5 – 9.25	0 – 1378	6:20am	1:30pm
30 th Aug	Sunday	30/42, 48	74	49	2.83 – 6.51	0 – 974	7:00am	2:00 pm
31 st Aug	Monday	26 -34	STRIKE					
1 st Sept	Tuesday	26 -34	STRIKE					
2 nd Sept	Wednesday	26 - 34	STRIKE					

Table 2: Harvesting block Zeeburg 44 & 46

Date	Day	Field #	# of persons	Punts	Productivity range t/man	Obstacles/ extra payment \$/man	Start time	Finish time
27 th Aug	Sunday	44/46	90	37	1.51 – 3.26	0 - 525	6:00am	2:00 pm
31 st Aug	Monday	44/46	11	7	To crush	0 - 125	6:00am	11:00am
1 st Sept	Tuesday	44/46	7	3	To crush	0 - 549		
2 nd Sept	Wednesday	44/46	7	3	To crush	0 - 549		

Note: in the productivity shown in tables above the lower rates achieved was because harvesters did not complete the agreed task in which instance their extra payment is with-held.

Resumption

Following a meeting between Guysuco, the Union hierarchy, harvesting representatives it was agreed that the workers will report for duty on Saturday 5th September and a combined team of Union and Guysuco IR representatives will visit the fields to assist in bringing the situation to normalcy. 240 (out of a normal 540) person reported for work on the Saturday..

The strike action resulted in production and wages lost as per table below

No. of Strikes	Date	Gang	Reasons	Mandays on Strike	Wages Lost '000	Production Lost (Tonnes)	Terms of Resumption/Remarks
1	23/08/2015	PL1A:PLC Harvesters	Management offers cut and load due to high canes on ground, but workers demand cut and stack.	136	\$374.0	27.5	Cut and Stack was offered on Monday 24/08/2015
2	27/08/2015	U8 Harvesters	Workers demanding 2-3 hrs more/task for work completed previous day	137	\$377.0	24.1	Resumed on their own accord
3	30/08/2015 – 04/09/2015	All Harvesters	Price dispute: Management offered 1-3hrs/task for obstacles (cut and stack) but workers demanded 5-10hrs/task	2700	\$7,425.0	858	1-7 hrs was paid based on condition when workers took up work on Saturday

It is also to be noted that due to the long delay in harvesting the burnt canes the realized TC/TS was 19.21 as compared to the crop average of 12.5 – a direct sugar loss of 43TS form the canes processed. No canes was lost infield.

Of significance it must be noted that on resumption on the 5th September, workers proceeded into the field and took up their task as shared by the harvesting staff with the expectation that the obstacles payment will be reviewed. As promised the Agriculture Manager visited all harvesting location and reviewed the prices offered and in some instances agreed to an increase because of the field condition regarding the particular task. **This is the same offer (take up the task and price will be reviewed) that was made/ put to the representatives & workers on Monday 31st August.**

On resumption the following payments were made

Calculated as follows:

- Uit 8 – 44 punts @ average of 7.0 hours/punt @ \$458 per hours = \$141,479
– 23 punts @ average of 5.1 hours/punt @ \$458 per hours = \$53,743
- PLC – 32 punts @ average of 6.2 hours per punt @ \$458/hours = \$90,490
– 131 punts @ average of 4.2 hours per punt @ \$458/hours = \$255,397
- DK 8 –50 punts @ average of 7.8 hours/punt @ \$458/hour = \$179,000
 - Total = \$720,109.

When compared to the demand as shown in below

Should we accede to the demand by the reps for the 299 punts standing payment for obstacles will amount to approximately \$ 1,235,226.

Calculated as follows:

- Uit 8 – 102 punts @ 10hours/punts @ \$458 per hours = \$467,160
- PLc – 48 punts @ 7 hours per punt @ \$458/hours = \$153,888
- DK 8 – 149 punts @ 9 hours/punt @ \$458/hour = \$614,178

The danger in the demand was had the Estate acceded to the request the trend for the remainder of the crop would have been turbulent where pricing for obstacles were concerned. By projection the obstacle payment could have been inflated by 40% for the remainder of the crop.

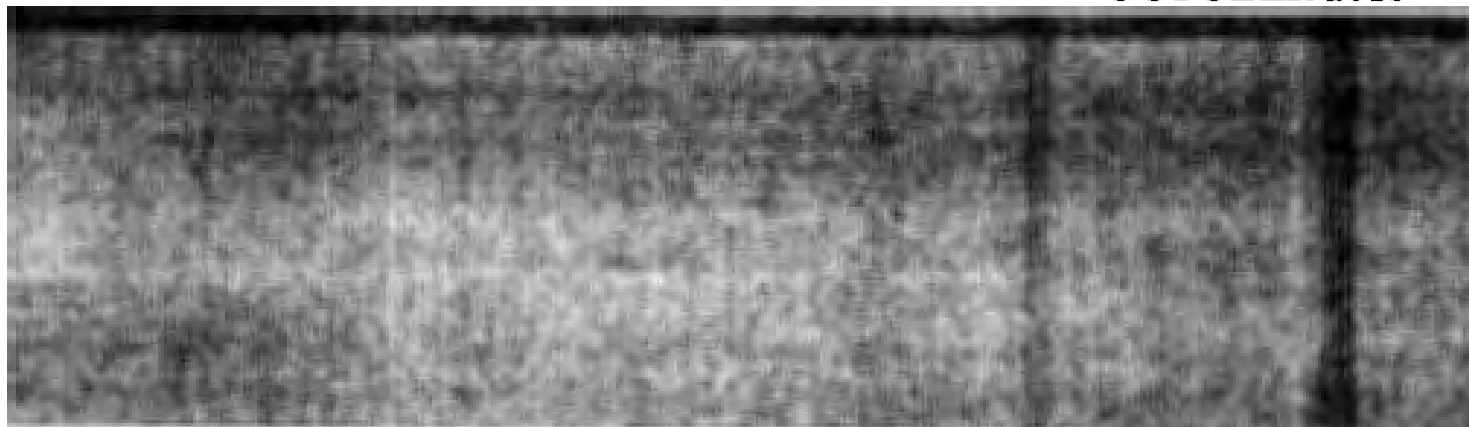
Some of the canes were harvested during the strike period – when some persons (10 -20) would have worked daily, this is included in the above.

In concluding it can be presented that the losses incurred by both the workers (wages) and sugar (Estate) was as a result of workers wanting to depart from the principle of take up work and then have an price for extras based on task.

**SUBMISSION TO THE
GUYANA SUGAR CORPORATION
COMMISSION OF INQUIRY**

Commissioner: Prof. Clive Y. Thomas

OCTOBER 2015



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Introduction

This Report is a First Draft of my written submission to the Guyana Sugar Corporation Commission of Inquiry (CoI) based on its Terms of Reference given in Annex A. It specifically addresses Item II sub-items 1, 2.E, 3 and 4. Sub-item 2.E refers to the operational area: Finance (cash flow, profitability, indebtedness, investment screening and evaluation etc.). Item 2 refers to: “Any Other Related Areas”, and Item 4 to the preparation of a Road Map for the Way Ahead, for 2016 to 2030, structured into five-year intervals, which state goals and their modalities of implementation.

Section 1: Global Environment and Macroeconomic Agricultural Context

A. Global Environment

The global sugar industry, as presently constructed, shows a complicated maze of producing, exporting and importing countries operating through an enormous range of import restrictions (quotas and tariffs); production and export subsidies (preferential loans and credit); subsidized inputs, price support; and, even dumping schemes. The Uruguay Round of Trade Negotiations, which was set in train in 1994 has stalled, but even before that stall, no substantial progress had been made in the liberalization of the gross market-distorting protectionism that prevailed everywhere in the global sugar industry.

Four countries, have more or less dominated global exports of sugar: Brazil (which indeed controls over one-half of global exports); Thailand; India; and, Mexico together control about two-thirds of global exports. All these countries heavily subsidize, or otherwise provide direct supports for sugar production and its export. In some instances the government itself, as with our Guysuco, is effectively producing bulk and other sugars for export. Thus recent estimates reveal that Brazil spends about US\$3 billion on preferential debt programmes, input subsidies, usage mandates and bailouts for its ethanol mills associated with cane production.

Some analysts aptly describe the current international situation as an “arms race” in sugar-protectionism. As a consequence the International Sugar Organization (ISO) is presently forecasting a global surplus of nearly 4 million tons of sugar, up from its previous forecast of 2.2 million tons. As is well known also, this has significantly weakened prices in the “so-called free

world market for sugar”. This “free” market constitutes, what is essentially residual trade in sugars not covered in the highly protected carve-up of the global regulated output, consumption, and trade in sugar.

B. Macroeconomic Environment

Between 2011 and 2014, agriculture as a whole (including sugar and rice processing), contributed on average 18.7 percent of GDP at current basic prices. Sugar (including both cultivation and processing) contributed on average 3.5 percent to GDP. The current estimate is that sugar employs approximately 16,000 persons; significantly, 95 percent of these workers are male! The high level of employment signifies the manually-dependent basis of Guysuco’s operations. The industry has approximately 300 service providers on which it depends for providing important inputs. It is also the third largest earner of foreign exchange. It provides significant value-added, social and environmental services, growth and linkages to rural communities, and indeed wider Guyana. Selected details are shown in Table 1 below.

Category	GDP* & Exports			
	2011	2012	2013	2014
Total Agriculture of, which	85.8	95.6	101.6	104.9
Sugar Cultivation	15.5	19.4	7.4	12.2
Sugar Processing	4.2	5.2	4.7	3.3
Total Sugar Industry	19.7	24.6	12.1	15.5
Total GDP	460.1	522.3	537.4	554.0
Total Exports (FOB) US\$mIn, of which	1,129	1,415	1,375	1167
Sugar Exports (FOB) US\$ mln	123	132	114	88

Note* = At Current Basic Prices
Source: Bank of Guyana Annual Reports.

The industry cultivates about 50,000 hectares of the land being used for agriculture (estimated at 1.74 million hectares). Production takes place on eight estates and seven factories; four estates are located within the Berbice Region, each with independent factories and in Demerara four also but with three factories. The factories are designed to generate 100% of energy needs during the crop. Skeldon has capacity, which it supplies to the national grid. It is reportedly serving electricity to 90,000 Berbice residents. The production possibilities of these factories and the cultivated areas of the estates are highlighted in the two Tables listed below. These

show, respectively, Guysuco's "estimated productivity by estate", and the distribution of soil classes as a percent of the estates cultivated areas.

Table 2: Estimated Productivity Potential By Estate

Estate	Potential Productivity tch, tc:ts, ts/ha							
	Berbice Region				Demerara Region			
	Skeldon	Albion	Rose Hall	Blairmont	Enmore	LBI	Wales	Uitvlugt
tch	80	78	77	80	77	78	79	73
tc:ts	11.25	10.35	11.26	10.4	10.89	10.89	11.32	11.67
ts/ha	7.1	7.5	6.8	7.7	7.1	7.2	7.0	6.3

Table 3: Distribution of Soil Classes (% of Cultivated Area)

Soil Class		Estates								Total
		Skeldon	Albion	Rose Hall	Blairmont	Enmore	LBI	Wales	Uitvlugt	
Class A (%)		49.7	21.7	11.1	52.5	37.1	30.0	7.4	0	26.1
		39.7	63.0	74.5	8.0	14.8	54.3	80.7	47.0	48.5
Class B (%)		10.6	14.8	11.4	37.2	34.8	12.3	0	12.6	16.9
		0	0	0	0	11.0	3.0	8.0	40.4	7.3
Class C (%)		0	1.0	3.0	2.0	2.0	0	4.0	0	1.2
Class D (%)										
Class E (%)										

About 8,000 hectares of the cultivated sugar cane areas are undertaken by private cane farmers, either individually or cooperatively. These supply cane mainly to: Skeldon, Albion, Rose Hall, Uitvlugt and Wales, under the National Cane Farmers Act.

From all reports, the major reported constraints impeding improved production and productivity at Guysuco are: 1) labour shortage 2) climate/weather variability given the industry's cultivation dependence on drainage and irrigation (D&I) 3) factory unreliability, and, 4) the price which sugar can be expected to sell presently and well into the medium-term. A complex D&I system underlies the cultivation of cane. The surface water lying between inland conservancies and the sea walls has to be strictly regulated. About 60% of this D&I applies to non-sugar land (rice occupies two-thirds of this area). Generally, Guysuco's D&I is the main protection against coastal flood risks.

As indicated in a separate submission to the CoI (see Clive Thomas, Selected Parameters of Sugar Production in Guyana: Daunting Supply and Demand Conditions 2015), the following daunting conditions presently confront Guysuco:

- ↓ Daunting financial environment. Guysuco is a low grade, poor quality, high risk, commercial borrower. There is also intense competition for Government of Guyana (GoG) financing, and indeed the GoG's contingent liabilities are growing as the debts of state corporations' increase.
- ↓ The geo-physical environment is also daunting. Guysuco operates on land facing significant below sea-level and below low-tide level "risks", in the context of weather variability and climate change. These put enormous pressure on its hydraulic capabilities.
- ↓ There are daunting infrastructural deficits as well. The analysts' consensus is that there has been a 30-year continuous infrastructure deterioration. The main affected areas are: sea defences; water conservancies; restriction of outlets to sea and river; breakdown of the supplementary canals-system due to village incursions, roads, scrubland, and other crops water usage.
- ↓ There are in addition daunting soil issues facing cane cultivation: 1) salinity and difficulty of root development and 2) the clay structure of soils, which are adversely affected by compacting during cultivation and harvesting. These are resolved by expensive: 1) fertilizer use 2) flood fallowing designed to leach out soil salinity and create tilth. This is a stringent regimen that requires fresh water application (9-12" every 6 months) plus a 4-year replanting cycle. (B. Newton, 2015)
- ↓ The industrial relations environment facing the corporation is equally daunting. Culture of workers ↔ management "conflict and disputes". This has led to the preeminent role of "customs and practices" in wage-setting and bargaining. This is further exaggerated by a Trade Union structure that consists one dominant and two substantially smaller unions. This also produces conflict between the "supervisory and junior management" staff versus "general workers".
- ↓ The industry has faced a daunting production decline as can be seen in Table 4.

Table 4: Sugar Output 1960s and 3-Year Averages 2000-2014 ('000 tonnes)

1960s	301
2000-2002	296

2003-2005	291
2006-2008	251
2009-2011	230
2012-2014	207

Source: Author's calculations.

- A daunting productivity and production trend has been revealed throughout the 2000s; a sad picture of declining: cane yields, harvested cane areas, sugar output, sucrose in cane, factory recovery, mill crushing time per week, skills in the work force, and institutional/managerial/planning capacity. To these can be added increasing “out-of-cane” occurrences and resort to the practice of “brought-forward” canes to improve the current year’s output..
- Finally, there is a daunting situation created by the bifurcation in location of the industry as is seen below:

Table 5: Industry Location

Estates	% Sugar Output	
	1963	2013
Berbice	39	68
Demerara	61	31

- However, there remains six important positives:

 - Two-crops are produced per year.
 - The co-generation potential of the mills, if power can be sold at market prices, is substantial.
 - The cane soils are potentially good-yielding (technical estimates put it at 12.5 tonnes per hectare!)
 - Significant plant varieties development have taken place over the years, but this has been falling-off in recent times!
 - The availability of water (canals) for bulk transport of canes lessens costs.
 - The CoI which has taken a “no sacred cows approach” to Guysuco and the industry, and pledging a fresh start augurs well for the future!

It would be useful at this stage of my presentation to recall what the SWOT review presented in the 2013-2017 Strategic Plan had indicated as the key issues to be addressed within the framework of that Plan (see Table 6 below).

Table 6: Summary of Issues to be Addressed within the Framework of Guysuco's 2013-2017 Strategic Plan

Issue	Plans to Address
Technical difficulties with the New Skeldon Factory	The factory will be retrofitted in keeping with the recommendations of independent consultants. Retrofitting is on schedule to be completed by November 2014 at an estimated cost of \$2.5mn.
Low sugar cane yield	<p>This will be addressed by improvements in: plant material selection and preparation; land preparation; water, plant nutrition and weed management; and elimination of fifth ratoon.</p> <p><u>Improved land preparation weed control and plant nutrition</u> Timely and proper land preparation is essential to ensuring proper plant anchorage, nutrient uptake and ease of harvesting. Meanwhile, weeds can reduce sugar cane yields by between 15% and 70%. Thus ensuring that the crop is weed free, particularly in the first ninety days after planting/harvesting is essential to obtaining optimum yields. Specialised machinery and equipment is being introduced to facilitate more timely and effective implementation of those measures.</p> <p><u>Elimination of fifth ratoon</u> GuySuCo's production data have revealed that it is uneconomical to maintain canes beyond the fourth ratoon given declining yields and relatively high maintenance cost. As at the end of 2013 approximately 30% of GuySuCo's holdings were older than the fourth ratoon, a major contributor to the relatively low tonnage of sugar produced per ha. A decision has been taken by the Corporation that canes will be harvested after the fourth ratoon and the area replanted.</p> <p>Given the pervasive labour supply challenges being experienced throughout the industry key to improving performance in these areas is the use of specialised machinery and equipment.</p>
Factories operating below capacity resulting in high operational cost. Total grinding hours lost in the industry due to insufficient cane being supplied to factories, largely due to shortage of labour, increased	Increasing the pace of industry mechanization to enable semi and full mechanical harvesting on all estates. This will increase the rate of supplying canes to factories and thereby increase the efficiency of factory operations.

from 1,729 hours in 2003 to 13,665 hours in 2011.	
Some factories not configured to process mechanically harvested cane.	Financial constraints have limited investment in factories. GuySuCo however recognizes the need for factory upgrading to optimise sugar recoveries and energy efficiencies. Several factories will be upgraded over the period 2014-2016 largely through resources provided by GOGY.

Cont'd

Issue	Plans to Address
A dwindling supply of labour, high levels of absenteeism and the loss of skilled workers negatively impacting field and factory operations.	Introduction of an apprentice programme, on-going training and retaining of workers at all levels and the gradual introduction of mechanization to meet the gap in the supply of labour.
Increases in the cost of non-labour inputs – fuel, fertilisers, machinery and equipment spares.	All factories have the capacity to generate energy through the use of bagasse – the goal is to ensure 100% of factory energy needs during sugar cane processing is internally generated. GuySuCo will make the necessary investments in factories to achieve/sustain energy production goals. Management of pest and disease will be through the use of biological control measures.
Weather variability reducing the number of “opportunity days” – particularly for land preparation, planting and harvesting operations.	Introduction of machines and equipment for land preparation, semi-mechanical planting, application of agro-chemicals and harvesting, etc. Mechanisation also requires a change in land preparation estimated at three times the cost per unit when compared to the traditional system. As at December 31, 2013, 13,471 ha were prepared for mechanical harvesting.
Market price variability and uncertainty particularly for bulk sugar.	Increase in the capacity to produce value-added sugar and explorations of options to diversify the industry away from total reliance on the production of sugar. On-going initiatives include a pilot project on ethanol production.

C. Conclusion

In conclusion of this Section, it might be useful to report what Guyana’s Agricultural Sector Strategy 2013-2030 has revealed as its four main targets for sugar:

- 1) Increased output to 450,000 tonnes by 2020
- 2) An average TC/TS of between 10 and 12
- 3) A TS/H of 7
- 4) 60 percent of the crop will be mechanically harvested

Despite the emphasis on the economic and agricultural macroeconomic environment of sugar in this Section; the social-political environment should be recognized as carrying at least as much weight in planning a Way Forward. While it is literally true that Guysuco and the sugar industry should be treated separately for the purposes of the CoI; the separation of these two cannot be put into watertight compartments. This is true, not only because the industry includes peasant operators, service providers offering inputs, as well as the communities Guysuco is delivering its services to, but because Guysuco, in truth and in fact, can only be reduced to a “state corporation”, when considering it from its legal structure and operations standpoint.

Rightfully or wrongly, sugar workers, their families, and the communities in which Guysuco operates sees this state corporation as the main provider of their livelihoods and a life-line support for their communities. All recommendations for the Way Forward should therefore embrace this reality. In such circumstances this means that what Guysuco “*gives and takes*” from the communities will have to be synchronized with what the community “*gives and expects to get back*” from Guysuco.

As we shall see in some detail in the next Section, Guysuco’s financial status is extraordinarily dire, which gives extreme urgency to the dilemma referenced here.

Section 2: Guysuco's Financial Situation

A. Financial Ratios Analysis

In the absence of audited accounts and Annual Reports for recent years there has been, to put it mildly, a major problem in determining the latest accurate financial statements of Guysuco that the CoI should use. In light of this conundrum, I have requested Guysuco to provide me with the calculation of 21 common financial ratios based on their most confident (and recent) financial statements for last year, 2014. These are presented in Table 7 below.

Financial Ratio	Formula	Results
1. Quick Ratio	a) $(\text{Current Assets} - \text{Inventory} - \text{Product stock} - \text{Prepayments}) / \text{Current Liabilities}$	0.32
	b) $(\text{Current Assets} - \text{Inventory} - \text{product} - \text{Stocks} - \text{Prepayments} - \text{Standing Cane}) / \text{Current Liabilities}$	0.16
2. Current Ratio	$\text{Current Assets} / \text{Current Liabilities}$	0.48
3. Total Debt/ Equity Ratio	$\text{Total Liabilities} / \text{Equity}$	6.79
4. Long Term Debt/ Equity Ratio	$\text{Long Term Debt} / \text{Equity}$	4.84
5. Short Term Debt/ Equity Ratio	$\text{Short Term Debt} / \text{Equity}$	1.95
6. Receivables Turnover	$\text{Net Sales} / \text{Receivables}$	10.20
7. Inventory Turnover	$\text{Sales} / \text{Product Stock}$	17.75
	$\text{Cost of Good Sold} / \text{Product Stock}$	32.22
8. LT Debt as % of Invested Capital	$\text{Long Term Debt} / \text{Invested capital}$	773%
9. ST Debt as % of Invested Capital	$\text{Short Term Debt} / \text{Invested Capital}$	311%
10. LT Debt as % of Total Debt	$\text{Long Term Debt} / \text{Total Liabilities}$	71%
11. ST Debt as % of Total Debt	$\text{Short term Debt} / \text{Total Liabilities}$	29%
12. Total Liabilities % of Total Assets	$\text{Total Liabilities} \% \text{ Total Assets}$	87%
13. Working Capital % of Sales	$(\text{Current Assets} - \text{Current Liabilities}) / \text{Sales}$	-75%
14. Gross Profit/ Loss Margin	$\text{Gross profits or loss} / \text{Sales}$	-82%
15. Net Profit/ Loss Margin	$\text{Net profit or lost} / \text{Sales}$	-90%
16. Operating Profit/Loss Margin	$\text{Operating profit or loss} / \text{Sales}$	-88%
17. Interest Cover Ratio	$\text{Earnings before interest and tax} / \text{interest}$	40.18
18. Net Working Capital Turnover	$\text{Sales} / \text{Working Capital} = \text{Current Assets} - \text{Current Liabilities}$	(1.34)
19. Total Asset Turnovers	$\text{Sales} / \text{Total Assets}$	0.17
20. Net Working Capital	$\text{Current Assets} - \text{Current Liabilities}$	(17,340)
21. Cash Flow Margin	$\text{Cash Generated from Operating Activities} / \text{Sales}$	(0.28)

All Guysuco's financial ratios are extremely discouraging. They show a corporation that is insolvent, and illiquid, making huge losses, and surviving only because of government bailouts. Guysuco is highly leveraged. Its short-term debt is nearly twice its equity and its long-term debt nearly five times its equity, also, for a ratio of 4.84. The total debt/equity ratio is 6.79. Both its

current and quick ratios are well below unity revealing that it is incapable of meeting its short-term obligations. Its profitability ratios including its operating profit are in the negative (losses) with gross and net profit margins of *minus* 82 percent and *minus* 90 percent respectively. Its capital structure ratios show a heavy dependence on debt in its operations, with its working capital ratio revealing the deep distress the company finds itself in. Its activity ratios (receivables and inventories) tell a similar tale.

As we shall see the corporation faces a severe price-cost squeeze, which is at the heart of its financial collapse. For several years, it has been costing more, both in total and unit terms, even as it produces less sugar. And, more worryingly; with a reported ratio of fixed to variable cost of 70:30, its variable unit cost on several producing estates exceeds the unit sales price it receives. Therefore, not only do losses increase with their increased sugar output, but since the produced sugar is exported mainly to the European Union (EU) Guyana is in effect subsidizing the price much more wealthy EU consumers are paying for our exported sugar!

There is undoubtedly, a marked inability for Guysuco to grow its operations through its sales/revenue. Further, it is utterly incapable of financing its capital requirements, which are so badly needed. Indeed, at present Guysuco cannot cover routine maintenance items of a lumpy nature. And, it cannot obtain credit/loans without Government guaranteeing these.

B. Cash Flow

Guysuco’s dire projected cash flow situation as of August this year is shown in Table 6 below.

Item	G\$ Million
Total Expenditure	24,590
Total Revenue	14,322
(Funds Needed)	10,268
Source: Guysuco, 2015.	

The projected estimated shortfall for the remainder of 2015 is G\$ billion 10,268. It is important to note, as Guysuco usually does in its reporting on its financial position, the cash flow estimates *do not include the items listed in Table 9* and also takes the “other considerations” mentioned in that Table into account.

Table 9: Items to Note in the Cash Flow Estimates in Table 8

Not Included

- i. Capital Expenditure
- ii. Cash rolled over / required for the out of crop (January –February 2016)
- iii. Income from any other source other than from its own operations
- iv. Payment to NIS, GRA or GAWU for remittances owing currently. The cash flow only caters for remittances going forward from June onwards. The amounts owing as of April 2015 are as follows:

NIS	G\$1,564M
PAYE	G\$4,351M
GAWU Union Dues	G\$120M
GAWU Credit Union	G\$154M
- v. Any reduction to the creditors' level. The cash flow assumes a carryover of the same level of creditors to 2016.

Other Considerations

- i. No repayment of US\$19m loan owed to National Commercial Bank group. It is anticipated that the loan will be rolled over.
 - ii. No further receipt from Skeldon Energy Inc. is included for the sale of the co-generation plant. The amount outstanding is G\$1,895M.
-

The cash flow is based on a total targeted production of 227000 tonnes of sugar for this year. This projection will be reviewed in Section 3 below.

C. Guysuco's Indebtedness

Similarly, recent data cast a sharper image on Guysuco's indebtedness. Guysuco's short-term and long-term liabilities are itemized in Tables 10 and 11 below. The total indebtedness of the corporation as of last month (August) was G\$82.4 billion of which just over three-quarters is long-term debt and loans and the remainder (just under one-quarter) is short-term debt.

Table 10: Guysuco's Short Term Liabilities**The corporation's creditors and other short term liabilities as of August 17, 2015:**

Trade Creditors	Total/G\$ bln
Local Suppliers	1.79
Contractors	0.20
Utilities, NDCs, etc.	0.21
Foreign Suppliers	1.55
GRA- PAYE	4.47
NIS	1.75
Hand in Hand Trust- Pension Contributions	0.82
Union Dues	0.28
SILWF- loan payments	0.05
Guyana Lands and Surveys Commission & MMA- Lands Leases	0.40
SILWF – sugar levy	1.63
13.15	
Short Term Loans & Overdraft Facilities	
Guyana National Co-operative Bank	0.26
National Commercial Bank Group	4.12
Local Consortium- DBL, BNS, HIH,BOB,CBGI	0.80
Overdraft Facilities- RBL, GBTI	1.40
6.58	

Table 11: Guysuco's Long Term Liabilities**The Corporation's long term debts are as follow:**

Long Term Loans & Debts	Total/G\$ bln
CH&MS Scheme	0.54
Employees Retirement Benefits- 2014 adjustment to be included after audit	29.26
Exim Bank - SSMP	8.26
CDB - D&I	0.83
GOG - SSMP	15.49
CDB - SSMP	5.85
GOG Debenture	0.14
GRA Property and Corporation Tax	2.62
62.70	

D. Guysuco's Profitability (Losses) 1990s to date

The data shown in Table 12 below dramatize the fall in the corporation's profitability after the 1990s, beginning in the 2000s. During the 1990s the corporation earned a profit, averaging G\$3.9 billion, but this went into reverse, and the amount of losses nearly doubled in the 2000s. Not surprisingly, the profit situation has continued to worsen dramatically over the past three years (see Table 13).

Table 12: Guysuco's Profit (Loss) After Tax \$G billion

Period	Profit (loss) \$G billion
1990s, of which	3.9
1990 - 94	1.6Type equation here.
1995 - 99	2.3
2000s, of which	(-7.6)
2000 - 04	-2.8
2005 - 09	-4.9

Table 13 shows the corporation's net losses (before tax, subsidies and standing cane adjustment).

Table 13: Guysuco's Losses (2012-2014) \$G billion

Year	Losses
2012	-7.1
2013	-11.7
2014	-17.4

E. Unit Cost of Production

The data on production of sugar by estates for 2014 are shown in descending order in Table 14. Production last year ranged from a low of 13,916 tonnes in Uitvlugt to more than three and a half times that amount (51,295) tonnes in Albion. The Table also shows the estates ranked by cost per unit of sugar output, including depreciation and adjustment, with one (1) representing the lowest cost. The lowest cost estate is Albion (33.85US cents/lb) and the highest is Skeldon (60.58 US cents/lb). The average cost for the entire industry is 45.65 US cents/lb.

Table 14: Sugar Production by Estate 2014

Estate	Tonnes	Rank in Terms of Unit Cost (lowest to highest)
Albion	51,295	1
Skeldon	35,890	7
Blairmont	33,499	2
Rose Hall	31,931	3
East Demerara	30,932	5
Wales	18,898	4
Uitvlugt	13,916	6
Industry	216,360	45.65 US cents/lb

Table 15 below shows that depreciation and adjustment costs account for nearly 30 percent of the unit cost of producing sugar, on average. The lowest cost producer for this metric still remains Albion, but even here the unit cost of production is well in excess of the unit price received for EU sales of sugar.

Finally, Table 16 shows the percentage increases in cost, of producing a tonne of sugar at Guysuco when averaged for each three-year period since 1997.

Table 15: Breakdown of Estates Unit Cost of Production 2014

	Skeldon	Albion	Rose Hall	Blairmont	East Demerara	Wales	Uitvlugt	Industry
Production/tonnes	35,890	51,295	31,931	33,499	30,932	18,898	13,916	216,360
	-	-	-	-	-	-	-	-
GSM								
Agriculture	4,443	4,439	3,385	2,921	3,905	2,493	1,963	23,549
Factory	3,354	987	1,041	803	1,410	811	723	9,128
Administration	381	556	401	420	690	308	352	3,110
Less Deprecation	2,705	271	165	230	554	166	171	4,183
Packaging Plant Cost	-	-	-	-	242	-	-	242
ADJUSTMENT								
Stock Movement-movement between opening and closing stock	181	258	162	169	156	95	70	1,093
Standing Cane-movements between canes in field at beginning to ending of 1	1,145	1,117	831	738	828	489	357	5,503
IAS Provision - appointed by tonnes sugar	249	354	223	232	214	131	96	1,500
Head Office Cost- appointed by tonnes sugar	481	687	428	449	414	253	186	2,897
Less Deprecation	26	37	23	24	22	14	10	157
Usc/lb								
Cost per unit EXCLUDING depreciation, and EXCLUDING adjustment	33.59	24.53	32.17	25.74	40.54	40.17	45.38	32.42
Cost per unit INCLUDING depreciation, and EXCLUDING adjustment	50.19	25.69	33.30	27.25	44.49	42.10	48.08	36.68
Cost per unit EXCLUDING depreciation, and INCLUDING adjustment	43.82	32.53	41.10	33.80	49.64	49.07	54.23	41.23
Cost per unit INCLUDING depreciation, and INCLUDING adjustment	60.58	33.85	42.40	35.47	53.74	51.16	57.10	45.65

Source: Guysuco's submission to the COI, 2015.

Table 16: Unit Cost Increases (by 3-year period 1997-2014)

Period	Increase in Cost Per Tonne Sugar (3-year averages)
1997-1999	0.3
2000-2002	6.0
2003-2005	16.7
2006-2008	12.0
2009-2011	2.0
2012-2014	4.0

F. Domestic Resource Cost

It would be useful at this juncture to report on the “with” “without” scenarios or “economic analysis” of Guysuco’s costs, which have been provided by the Caribbean Development Bank (CDB) late in 2014. This was completed in support of a mechanisation project it was evaluating late in 2014 (CDB, September 2014). The analysis was conducted on the basis of the Performance Indicators presented in Table 17 below.

Table 17: Selected Actual and Projected Performance Indicators Used by the CDB in 2014

Production/Cost	Year						
	2013	2014	2015	2016	2017	2018	2019-2023
1. Production ('000 tn)	186.8	219.0	245.7	300.4	349.8	350.0	350.0
2. Production Cost (USc/lbs)	0.44	0.41	0.37	0.32	0.29	0.30	0.30
3. Agriculture Cost/Production (USC/lbs)	0.26	0.18	0.18	0.18	0.16	0.17	0.17
4. Factory Cost/Production (USC/lbs)	0.07	0.06	0.05	0.04	0.04	0.04	0.04
5. Land and factory Productivity (tsh)	4.50	4.43	4.82	5.67	6.46	6.46	6.46

Source: CDB, 2014.

It is important for the CoI to observe the strong production and productivity performances represented in the Table, along with the significantly lower agriculture and factory costs, which the CDB used for its projections over the period 2015-2018, and which are further projected to carry-over as the average for the years 2019-2023. As shown above, already for 2014 actual and 2015 to date, the key projections made in the Table have been substantially off-target.

However, the aspect of this analysis, which remains of crucial importance to the CoI is the estimation of the Domestic Resource Cost (DRC) and the related notion of Domestic Resource Cost Ratio (DRCR) for Guysuco’s sugar exports. The DRC measures the economic efficiency of

Guysuco (as a state-owned corporation) in earning foreign exchange from producing and exporting sugar. This is shown in the relation

$$DRC_s = \frac{C_s^d}{P_s - C_s^f}$$

where DRC_s is the domestic resource cost of sugar; C_s^d represents the domestic cost of producing sugar, and P_s represents the average unit price of sugar, and C_s^f represents the foreign input costs for producing sugar (fertilizers, chemicals, equipment etc). This relation clearly shows the amount of domestic resources that are required to earn a unit of foreign exchange. The CDB has set this requirement at “a hurdle rate of 12 percent”, which is the opportunity cost of capital in Guyana.

The CDB found this measure to be G\$92 to US\$1. At the time (third quarter-2014) the Official Exchange Rate was G\$206 to US\$1 and the Shadow Exchange Rate which it used was G\$210 to US\$ 1. The DRCR was therefore 0.44. When this ratio is less than unity it suggests Guyana has a comparative advantage in exporting sugar, if it is unity it means Guyana’s sugar is neutral, and, when it is above unity it means Guyana’s sugar has a comparative disadvantage.

The CDB had also found that, the incremental results of their project evaluation suggested the marginal cost of producing sugar at Guysuco was below the average cost. This further suggests that there is room for further expansion of sugar output. Indeed, based on the Performance Indicators cited in Table 17 above, the Project is justified with an Economic Rate of Return (ERR), of 19 percent. Further, CDB’s sensitivity tests reveal that the DRCR approaches the value of 1.0, only when the discount rate falls below 3 percent!

Section 3: Guysuco's Performance to date in 2015: What does it tellsus?

A. First Crop 2015

What does Guysuco's 2015 performance reveal about its current prospects? As the corporation notes, it has produced 81,143 tonnes of sugar, or 94 percent of its budgeted target of 86,201 tonnes for the First Crop. Weather and the late start of the Skeldon crop have been indicated by the corporation as the main reasons for the production shortfall. It has further indicated that the crop was extended on estates for as long as three weeks (except Enmore). However, this extension has added significantly to its costs of production, which as well is adversely affecting its maintenance programme.

Table 18 below provides the key factory performance indicators by estate for the First Crop. The weak performances on all estates are clearly indicated there. However, in preparation for the Second Crop, 2015 Guysuco has reported that: "All Factories completed [their] maintenance programmes on schedule [although] poor weather conditions delayed the start-up of grinding operations for the 2nd crop".

Table 18: Key Factory Performance Indicators (First Crop 2015)

ESTATE	Tonnes Sugar	Factory Time Efficiency	Overall Recovery	No. of Grinding Wks.	AGT per Week	Tonnes Cane per Hour	Pol % Sugar	TC/TS	BGI - 0 - 48 Hrs.	Pol % Cane
SKELDON	8,220	73.76	67.70	9.11	86.80	180.89	97.75	17.40	52.64	8.30
ALBION	21,578	97.52	81.90	12.06	112.99	167.61	97.86	10.58	47.91	11.29
ROSE HALL	9,415	92.89	75.67	10.51	112.52	108.12	97.73	13.58	58.59	9.50
BLAIRMONT	13,681	97.16	78.78	12.25	128.20	102.08	97.68	11.71	68.46	10.58
EMNORE	10,515	83.82	78.56	12.60	97.71	104.65	97.94	12.27	44.89	10.12
WALES	9,154	93.46	79.77	11.66	100.09	98.82	97.74	12.60	84.94	9.73
UITVLUGT	8,581	86.98	78.46	12.90	84.65	104.01	98.03	13.23	34.35	9.44
INDUSTRY	81,143	89.98	78.00	81.08	103.55	121.19	97.82	12.54	55.68	10.00

Source: Guysuco submission to the CoI.

Table 19 below provides key performance indicators for cane and sugar production by estate during the First Crop. The actual outcomes, as well as the budgeted targets, are also presented in that Table. The variance between actuals and budgeted amounts is noted in the Table. As can be seen from that Table there were overall shortfalls in 1) hectares harvested, 2) cane production and, 3) sugar output. However, tonnes cane per hectare (TC/H); tonnes cane per tonne sugar (TC/TS); and therefore, tonnes sugar per hectare (TS/H) have all showed slight improvement on

the budgeted targets. It would be observed from closer examination that the data seem to indicate it was reduced hectares being harvested, which is the main consideration behind the observed shortfall.

Table 19: First Crop Production: Actuals V/S Budget

ESTATE	BUD 2015 1ST CROP 2015						ACTUAL 1ST CROP 2015						VARIANCE 1ST CROP 2015 ACT v/s BUD					
	HA	CANE	SUGAR	TCTS	TCH	TSH	HA	CANE	SUGAR	TCTS	TCH	TSH	HA	CANE	SUGAR	TCTS	TCH	TSH
SWR	4175.5	233685	17214	13.58	56.0	4.1	2531.1	143039	8220	17.40	56.5	3.2	-1644.4	-90646	-8994	3.83	0.5	-0
AN	3388.9	213475	19548	10.92	63.0	5.8	3411.3	228381	21578	10.58	66.9	6.3	22.4	14907	2030	-0.34	4.0	0
RH	2172.3	121129	9366	12.93	55.8	4.3	2252.7	127894	9415	13.58	56.8	4.2	80.4	6765	49	0.65	1.0	-0
BCF	1867.5	121812	10845	11.23	65.2	5.8	2164.3	160249	13681	11.71	74.0	6.3	296.8	38437	2836	0.48	8.8	0
EHP	2197.4	111126	9068	12.25	50.6	4.1	1637.3	89626	7285	12.30	54.7	4.4	-560.1	-21501	-1783	0.05	4.2	0
LBI	1381.6	64493	5020	12.85	46.7	3.6	996.6	39442	3230	12.21	39.6	3.2	-385	-25051	-1790	-0.63	-7.1	-0
GV	1868.4	87418	6892	12.68	46.8	3.7	2343.6	115318	9154	12.60	49.2	3.9	475.2	27900	2262	-0.09	2.4	0
ICBU	2362.9	103501	8248	12.55	43.8	3.5	2375.6	113564	8581	13.23	47.8	3.6	12.7	10063	333	0.69	4.0	0
TOTAL	19415	1056639	86201	12.26	54.4	4.4	17712.5	1017512	81143	12.54	57.4	4.6	-1702	-39126	-5058	0.28	3.0	0

Source: Guysuco submission to Col.

B. Second Crop 2015

Harvesting and milling for the second crop in 2015 is only just underway. The targets set for sugar production by estate, along with the related performance indicators are also shown in Table 20 below. Guysuco’s targeted output for the Second Crop 2015 is 146,301 tonnes of sugar. To attain this target requires improvements on the first crop performance. In particular it is expected that improvements at the Skeldon factory would take the estate close to the target of an average of 200-250 tonnes cane through-put per hour. This outcome is anticipated and the main remaining concern is about the supply of improved quality canes to the factory. The major worry which Guysuco presently has about achieving this outcome is that, its major suppliers are presently “withholding several critical spares, awaiting payment before release”.

Table 20: Performance Indicators: Targets V/S Second Crop 2015 to date

ESTATE	Tonnes Sugar	Factory Time Efficiency	Overall Recovery	No. of Grinding Wks.	AGT per Week	Tonnes Cane per Hour	Pol % Sugar	TC/TS	BGI - 0 - 48 Hrs.	Pol % Cane
SKELDON	30,594	93.00	77.18	17.06	130.00	200.00	97.75	14.50	80.00	8.73
ALBION	33,377	93.00	80.91	16.89	130.00	168.00	97.75	11.05	80.00	10.93
ROSE HALL	22,538	93.00	78.80	19.39	130.00	110.00	98.00	12.30	80.00	10.11
BLAIRMONT	21,471	93.00	79.02	18.30	130.00	102.00	98.50	11.30	80.00	11.03
EMNORE	19,137	93.00	79.91	17.44	130.00	105.00	98.50	12.44	80.00	9.91
WALES	12,069	93.00	80.18	11.42	130.00	100.00	97.75	12.30	80.00	9.91
UITVLUGT	7,114	93.00	80.10	8.74	100.00	105.00	98.00	12.90	80.00	9.48
INDUSTRY	146,301	93.00	79.20	109.23	127.60	141.06	98.01	12.38	80.00	9.99

Source: Guysuco submission to Col.

C. Business Plans and Capital Expenditure (Capex)

As Table 21 reveals, up to the end of 2014, the industry's capital expenditure shortfall has been considerable. Indeed, Guysuco's Business Plan had projected capital expenditure at G\$34,860 million, but only G\$10,534 million, or about 30 percent of the total had been expended. This confirms that during 2015, given its financial position as revealed in Section 2, the corporation remains heavily under-capitalised. Further, as the corporation has correctly noted there are 1) no observed correlation between its production expectations and the state of its assets 2) as a practical logistical matter, canes in the ground on the estates cannot be guaranteed delivery to the factory in good shape and, 3) the corporation does not have the financial capacity to undertake adequately its major capital expenditures (Capex).

Table 21: CAPEX 2009-2014

Year	Actual (GSM)	Business Plan
2009	1,728	6,710
2010	2,209	5,992
2011	2,031	7,932
2012	1,927	4,919
2013	1,283	4,595
2014	1,356	4,712

Total	10,534	30%	34,860
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Perhaps, not surprisingly, the corporation's recent Business Plans have all turned out to be laden with very unrealistic capital expenditure projections. Indeed, these were accompanied with 1) unrealistic price forecasts for its sales 2) dubious expectations about cost reductions and, 3) unsupported projections of increases in its technical performance indicators. As Guysuco has recently noted, this has been the case for even the corporation's most recent Business Plan (2015-2017), which was prepared just before the present new management came on board after the recent national elections (see Table 22).

As a result the CDB projected Performance Indicators for 2015 shown above in Table 17 projects output at 245,000 tonnes for 2015 and a cost of production of 41 US cents per lb, and already the new management has adjusted this downwards to 227,000 tonnes with costs in 2014 reaching about 47US cents per lb.

Table 22: Guysuco's Observations on its Business Plan 2015-2017

- Sugar price applied overly optimistic: WMP mid-point USc20.15-25.68/lb.
- 2016 production assumption of 280,000 ts unrealistic given the required level of capital investment and lack of financial capacity to implement.
- Funding gap (G\$36,207M) source not identified. This would be higher with more realistic sugar prices.
- No rationalisation of cost structure.
- Capital expenditure assumption (G\$M): Not Fulfilled!
 1. 2015: 7,071
 2. 2016: 6,535
 3. 2017: 5,532

Total: \$19,138M

- **The future is not addressed!** For example, 1) debt unsustainability and need for urgent reduction / restructuring and 2) unsustainable cost structure, which needs re-engineering

Source: Guysuco, 2015.

D. Conclusion

There is widespread agreement among industry analysts that, Guysuco's Business Plans projections, cannot stand up to close scrutiny, even for a period as restricted as the very first year of its projections. Indeed, as Guysuco's projections go further into the future they are revealed to be extremely unrealistic. Most of the stakeholders who have worked at Guysuco previously, and who have presented to the CoI, have bemoaned the all-round decline in the corporation's managerial, implementation, and operational capacity. There has been an unmistakably substantial depletion of the technical/managerial/and other human resource capability of the Corporation. Added to this, the Corporation has not sought to pursue "functional autonomy" as a commercial market-driven entity, but instead has pursued a "politics-dependent" path.

Overall, this capacity decline, which is noted here is especially marked in the corporation's ability to make forecasts, engage in realistic target setting, and subsequently achieve its predicted performance outcomes.

It is heartening to me, therefore that the present (new) management of Guysuco has set itself quite modest objectives, as shown in Table 23 below.

Table 23: Guysuco's Focus for Remainder of 2015

- ↓ Take off 2nd crop as efficiently and as cost effectively as possible.
- ↓ Achieve the replanting programme.
- ↓ Restore discipline in the organisation:
 - Management practices
 - On the floor/custom & practices
- ↓ Daily monitoring of key performance indicators/accountability
 - Work constructively with the Unions.
- ↓ Skeldon-specific:
 - Continue factory throughput upgrade to 200-250 TCH
 - Improve Mechanical Field Layout

Section 4: Recommendations on the Way Ahead

A. Timelines of Implementation

Based on both the financial and economic analyses presented in Section 2, the only rational conclusion which can be drawn is that which the CoI had arrived at by consensus. The Government of Guyana (GoG) needs to decide urgently whether it can afford to continue, repeatedly, funding Guysuco from the National Budget (via bailouts) in order to remain as a producer of raw bulk sugar for export beyond the period given in the timeline for the CoI: 2016-30. To repeat such “bailouts” and expect different vastly improved results from Guysuco would be irrational.

In light of this the CoI had deemed that, a continued state-run Guysuco would be strategically unacceptable as an efficient financial and economic decision. A decisive shift to private ownership and control of the assets now employed in sugar production has to be an essential element of any long-term resolution of the present paradoxical situation. The CoI also, by the same consensus, recognized that it was not in a position to determine the closure of any estates.

Based on this consensus I would recommend that the following be pursued along the timelines given:

Timeline 2016

1. Early in 2016, (around the Budget Time!) the Government should, after careful consideration of the pros and cons, publicly announce that, it will do everything in its power to remove itself from the production of bulk sugar for export; as soon as is practical.
2. If this is accepted, ***simultaneously***, the Government should also announce the following strategic decisions indicated below, which will be put into effect ***before*** the end of 2016. This accompanying announcement is a must. It should state that it is:
 - a. Taking steps towards the formal creation/establishment of a ***Holding Company***, which is designed to “hold” the shares of Subsidiaries/Business Units and other Revenue Streams, created out of Guysuco operations. Such suggested areas are listed in b below, but these are not exhaustive.

- b. Guysuco will therefore be deconstructed into several subsidiary operations/business units/revenue streams based on appraisals of their potential profitability:
- Co-generation of Electricity;
 - Supply of Drainage and Irrigation to communities;
 - Supply of Business Services (IT, tourism and recreation, etc.);
 - Prime Real Estate and Property Holdings (selected Guysuco premium real estate);
 - Agricultural Equipment Pools, including aircraft (for rental to farmers);
 - Sugar Refinery (Plantation “Whites” or Refined Sugar)
 - Molasses;
 - Alcohol;
 - Ethanol;
 - Special Sugars.
- c. The Holding Company is where,(through stock ownership)Guysuco’s deconstructed operations,business units and revenue streams will function as its legal subsidiaries. The Holding Companywould therefore, be entitled to enjoy all the legal rights, benefits, and responsibilities to be derived from a parent company – subsidiaries relationship. Such an arrangement would, almost by definition, immediately*transform* the present over-centralized structure and operations of Guysuco, into a decentralized and,hopefully, more flexible and adaptable operational structure.
- d. Each subsidiary/business unit/revenue streamthat is established,would provide its own management for its specific operations. Its efficiency, however,as a subsidiary, would be measured principally, if not solely, by its ability to generate profits(at set targets)established by the Holding Company. Of course, the Holding Company itself, will not engage in the day-to-day operations of these subsidiaries/ business units/revenue streams. Nevertheless, it would set broad policies and guidelines for their operations.Certainly, guidelines for remuneration and other benefits going to management would be set by the Holding Company. Similar to other holding companies the newly-created Holding Company would not engage itself in the direct production of any goods and services. Indeed we can say, itssole purpose would be to control the subsidiaries along the lines indicated above.

- e. To facilitate this development, the GoG and Guysuco's management should engage in a *process of negotiation designed to restructure* those Guysuco's debts that are 1) owed to governmental agencies and 2) other holders of Guysuco's debts, for which the GoG has contingent liability.
- f. The Holding Company's capital structure should be partially facilitated by the negotiated *conversion or restructuring of most of Guysuco's present indebtedness to the government into equity*. Other options for raising new equity in the Holding Company should also be earnestly explored, with GoG support (debentures, bonds, etc).

3. 2015 and 2016 Crops

For the 2nd Crop 2015 and the two succeeding 2016 crops, Guysuco's management should be given the task of *optimizing the corporation's performance indicators for sugar*. This would be relentlessly pursued for two main purposes: 1) to raise/improve the saleability of Guysuco's major assets and 2) to attract new entrants into the industry (in particular investors and cane farmers). Here I would strongly recommend the exploration of Mr. Errol Hanoman's "scalpel" reforms, elegantly proposed to the CoI.

4. Two Interventions

- a. 2016 should also be the year to commence two major interventions. The *first intervention* recommended is the systematic pursuit of a Mechanisation Project, along the lines designed by the CDB at the end of 2014 (see Table 24).

Table 24. CDB Mechanization Project Summary

Project Outcome and Description:

The outcome of the Project is improved productivity of sugar cane cultivation and sugar production on selected estates in Guyana.

The components of the Project are:

- (a) Enhancing sugar cane production and harvesting
 - i. Purchase of machinery and equipment to facilitate:
 - (aa) the preparation of sugar cane fields into mechanically-friendly configurations:
 - (bb) semi-mechanical planting, mechanical weed control and fertilising of sugar cane: and
 - (cc) mechanical harvesting of sugar cane.
 - ii. Land preparation for revised field layouts.
- (b) Factory energy efficiency improvements.
- (c) Training of employees for operation, maintenance and repair of machinery and equipment.
- (d) Consulting services to assess and develop an action plan for gender equality and integration.
- (e) Project Management Services.

Source: CDB 2014

That CDB Project cited in Table 24 was aimed at the mechanisation of sugar production and harvesting; improved efficiency (including energy efficiency) of factory operations; and, general sugar industry production infrastructure. In terms of detail, a key intended output of the project was the preparation of 6,000 ha of sugar cane fields in a mechanically-friendly layout, of which the Project would be accounting for 2,500 ha.

The Project as was then proposed had focused on Uitvlugt (Demerara Region) and Albion and Rose Hall (Berbice Region). Uitvlugt Estate was chosen because it had been reported to experience the most acute labour supply shortage in the industry. Meanwhile, Albion and Rose Hall, notwithstanding their relatively high productivity, had also been experiencing labour supply challenges which, the CDB felt, if left unattended, could seriously erode performance on those estates.

In terms of details: the provision of equipment for full-mechanical harvesting was scheduled to be confined to Uitvlugt because the Uitvlugt factory is the only one (of the three in the project intervention areas) with the facilities for handling mechanically harvested canes.

Although I have indicated above my skepticism about the assumptions and data used in the CDB 2014 project evaluation, See Section 2.F, I believe the present new management at Guysuco would be more realistic with the data it supplies to the CDB for its evaluation of the feasibility of any future mechanisation project.

- b. The *second intervention*, which I would recommend strongly is for a serious evaluation of all the diversification options (raised by several contributors to the CoI), including specifically: 1) the production of ethanol 2) aquaculture 3) other agriculture crops, and 4) dairying, and other animal stock. The main caveat I would stress, is for “other crops” to be first pursued as potential projects *outside* Guysuco’s lands, and further seek to utilize Guysuco’s lands only *after successful field trials*.

Timeline 2017-2018

Based on the above recommendations, if by the end of the residual preferential sale arrangement in 2017 for Guysuco’s bulk sugar production to the EU, the corporation still remains in Government’s hands, bulk sugar sales should therefore be exclusively focused on:

- The Caribbean Market (see C.E. Housty, 2015)
- The CARICOM Market

“Guyana benefits from protection within Caribbean Community and Common Market (CARICOM) through a 40% Common External Tariff (CET) imposed on raw sugar imported from non-CARICOM sources. In the recent past GuySuCo has limited sales to CARICOM Member States because of production shortfalls and its EU/US market given quota obligations. Other Caribbean producers have adopted similar strategies. As a result, most CARICOM countries have sourced sugar from non-regional producers having obtained waivers on the CET in keeping with the protocol established by the CARICOM Secretariat. The demand from CARICOM is estimated at approximately 150,000 tn for raw brown sugar. The Region does not have the capacity to refine sugar, therefore all white sugar consumed in the Region (approximately 200,000 tn annually) is imported.” (CDB, 2014)

- The Domestic Market (see C.E. Housty, 2015)
- The United States Market (see C.E. Housty, 2015)

Even for these markets however, the steady shift to branded sugars has to be relentlessly pursued.

Timeline 2016-2019

The period 2016-2019 should be directed at two broad transformative goals; both of which are aimed at worker and farmer stakeholders in the industry. One is that the proposed Holding Company would negotiate with the Unions the “buy-out of the existing accumulated customs and practices” in the industry. As matters stand it would be impossible, I believe, to negotiate a rationalization of these customs and practices. It should be possible however, in exchange for a “comparable upfront payment” for workers to surrender these benefits (or future income streams), *discounted to their present values* in exchange for a joint agreement within a new construct of working conditions, where these no longer apply.

Second, Guysuco had proposed two decades ago for the National Development Strategy 1996 a program of “participatory privatization”. Under this arrangement it would make lands available to private farmers, including workers who wanted to farm and who also may or may not agree to supply cane to the estates under a re-designed Cane Farmers’ Act. Similarly, experimental related arrangements for “group-managed” contract schemes centred on worker-managed cultivation of sugar cane fields have been proposed as broader solutions. Both of these, I believe, deserve significant and extensive trials over the period 2016-2019. The aim is that, if successful, their formal introduction should begin in 2020.

Timeline 2020 and After

By 2020 the industry should be settling into a new configuration, namely:

- A. Holding Company controlling the assets of Subsidiaries/Business Units/Revenue Streams.
- B. A significant range of these Subsidiaries/Business Units/Revenue Streams, which are driven by making profit for their shareholders.

- C. Subsidiaries/Business Units/Revenue Streams and the Holding Company would have a *mix of public and private ownership*.
- D. The bulk sugar market, if it still exists, would be entirely focused on supplying the restricted premium markets as given above.
- E. In principle, sugar production for these markets would be largely dependent on a mix of farmers and worker-managed cane cultivation, together with private investors (both local and foreign)
- F. Packaged and other value-added sugars would expand substantially relative to bulk sugar production.
- G. The technical and commercial evaluation of Special Sugars, which are planned to be produced, including refining, would have been completed and financing secured with everything else ready to come into full production no later than 2020.
- H. Through debt reengineering (restructuring and recapitalization) the pressures of Guysuco's indebtedness on the National Budget should have been permanently relieved during this time-frame.
- I. A selection of commercially viable estates, supplying sugar at the most efficient domestic resource cost for local, regional, and "premium" export markets in which value-added sugars dominate their outputs.

5. Preliminary Calculation/Valuation of Privatization

- The data provided herein are supplied by Guysuco and are for reference only.
- It is presented in good-faith and to the best of knowledge, it is accurate.
- It does not purport to be the sole or otherwise basis for the strategic decisions and choices, which are required for arriving at a Way Forward.
- In other words, these estimates cannot logically provide a warranty, (legal or otherwise), for what needs to be made: i.e., *strategic decisions*, (save and except for their timelines and the applicability of their contents to those decisions).

Valuation Assumptions

- Production and sales, as contained in the COI report: adjusted for minor computational errors.
- Privatization after year 3 or 2018.
- Quick disposal (by 2020) of 2,284 acres or 925 ha at LBI.
- Quick disposal (by 2020) of 26 acres or 10.5 ha at Ogle.

- Valuation of quick-disposal land – *conservatively* at G\$25million per acre.
- Annual inflation is forecasted at 3%.
- Land inflation is not separately forecasted: there is potential for both high + market “bubbles”.
- Rate of Exchange used throughout:

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
G\$/US\$ 1	207	208	209	210	211	212	213	214	215	216

- Proceeds from land sales to 2020 are used to reduce the following short term debts:
 - Local Trade Creditors
 - Taxes owed to GRA
 - Local Bank Loans
 - Local Overdraft Facilities
 - Foreign Working Capital Loan with the National Commercial Bank Group

Cash Balances

- The forecast cash balances are:

	2016 - COI	2017	2018
CASH - CLOSING BALANCE / G\$M	5,892	12,235	5,000

- The Corporation forecasted to have a positive cash balance (G\$5Bn) at end 2018 and before privatization.

Valuations

Net Book Value

Valuation Type	Prescribed Method	Total Assets	Result	
			Total Liabilities	Net Book Value
G\$M				
Total Assets - Total				
1) Net Book Value	Liabilities	143,163	126,642	<u>16,521</u>

- Total assets minus total liabilities

- The net book value end 2018 is estimated at G\$16.5Billion.

Net Realizable Value of Asset less Liabilities

- Assets are valued (see below) at an estimated net realizable value and total liabilities are subtracted to arrive at the valuation.

Valuation Type	Prescribed Method	Book Value	Estimated Realizable Value	Total Liabilities	Net Realizable Value of Assets Less Liabilities
2) Net Realizable Value of Assets Less Liabilities	Value all assets at the lower of cost or market /value				
	Assets as per Balance Sheet:				
	Property, Plant and Equipment: This consists of freehold land, property, machinery and equipment. The total value of freehold land is G\$43,715million less sale of LBI/Ogle of G\$1,148million. The remaining is property, machinery and equipment. The latter is discounted by 60%.The value of the land is marked up by 75%. This is being very conservative.	100,212	97,091		
	Deferred tax asset	20,297	20,297		
	Investments - regularly revalued each year	372	372		
	Investment in subsidiary - subsidiary is making continuous losses so not considered.	22	-		

- Assets Less Liabilities is estimated at G\$7.5Bn.

Valuation Type	Prescribed Method	Book Value	Estimated Realizable Value	Total Liabilities	Net Realizable Value of Assets Less Liabilities
	Inventories - the risk is that the items may not be of use to other companies or are obsolete - discount by 80%	3,127	625		
	Standing cane - is measured at sugar prices which are lower than costs - discount by 20% for risk of reduced yields	5,288	4,230		
	Product stock - already valued at market price	3,059	3,059		
	Trade receivables - discount by 10%	2,686	2,417		
	Other receivables - discount by 50%	2,102	1,051		
	Prepayments - the risk is that the item is not received or can be utilized otherwise so not considered.	1,000	-		
	Cash on hand and at bank	5,000	5,000		
		<u>143,163</u>	<u>134,142</u>		
	Minus total liabilities			126,642	<u>7,500</u>

Key Observations

- To these valuations, the GOG should add savings, as bailout funding 2018-2025 not required, approximately G\$100billion.
- There are other valuations but given no vibrant capital market, GuySuCo's monopoly status and operational losses not applicable.
- Other Valuations:

Valuation Type	Remarks
3) Replacement Value	This requires further market research to determine the market value of a similar Sugar Corporation of this capacity.
4) Discounted Cash Flow Growth Model	After 2018 and utilization of land sales funds, the Corporation returns to operating on a cash deficit, hence this is not a suitable valuation model for the Corporation.
5) Risk Adjusted Net Present Value	Refer to 4.

Concluding Remarks

- Window of opportunity for privatization 2018-2020.
- GuySuCo' debt, if any, without an explicit or implicit GOG contingent liability, can be added to the receipts from privatization. Not known.
- Pushing the window of opportunity further away for Guysuco's improved valuation depends on subsidiaries activities, considered next.
- Note: valuing a debt-laden, loss-making, state-owed Corporation is exceptionally hazardous.

For this purpose any buyer is likely to bargain from the basis of valuations as given.

Improved valuation increases GoG options.

Note: Buyer's expectations for generating wealth will be based on speculative use (including sales and break up of any assets acquired at "bargain-basement" prices, for speculative disposal).

6. Preliminary Evaluation of the Holding Company-Type Approach

List of Potential Subsidiaries

- Co-generation of Electricity;
- Supply of Drainage and Irrigation to communities;
- Supply of Business Services (IT, tourism and recreation, etc.);

- Prime Real Estate and Property Holdings (selected GuySuCo premium real estate);
- Agricultural Equipment Pools, including aircraft (for rental to farmers);
- Sugar Refinery (Planation “Whites” or Refined Sugar);
- Molasses;
- Alcohol;
- Ethanol’
- Packaging of Special Sugars
- Other by-products
- Etc.

Co-Generation Subsidiary (Skeldon)

- The subsidiary is projected to make a profit of \$578M in 2016 and peaks at \$1,6M in 2021.
- GuySuCo has the capability of supplying 17MW of power. However, GPL can only take 15MW.
- This is due to GPL’s lack of infrastructure.
- Diesel generated power will be charged at US\$0.02 per kilowatt hour while turbine generated power has increased to US\$0.21 per kilowatt hour.
- Internally consumed power will be charged at US\$0.04 per kilowatt hour.

Land Sales Subsidiary

- Quick sale of Ogle, LBI and other lands by 2020.
- Ogle has 26 acres and LBI has 2,284.503 acres for development/disposal.
- Ogle will be disposed of in 2016 while LBI will be on a piecemeal basis over a period of 5 years.
- The price assumed for land sales is \$25M per acre which can be considered very conservative.
- The Unit will be staffed by a Manager, 2 surveyors and a clerk.
- Net Profit estimated at \$11,621M in 2016 and \$10,990M in 2017 until 2020.

Packaging Plant Subsidiary

- The Packaging Plant is projected to make a profit of \$1,087M in 2016 and peaking at \$1,153M in 2020.
- Responsibility for the sale of direct consumption sugars: Demerara Gold, Demerara Brown, Enmore Crystals, Private labelled (Regale and Cuisine brands) and Caricom bagged sugar.
- The Plant will purchase sugar from Enmore factory at prevailing world market prices.
- A world market price of US cents per pound 14.34 has been used for these projections.

Queries

- Queries made of real estate dealers/property developers suggest the price of G\$25million per acre is a *minimum*.
- Their expected yield is several multiples of this, particularly if sales are:
 - well timed (especially placement of supply on the market.
 - properly packaged as developer deals (local and overseas)
 - Land/property “bubbles” emerge as expected!
 - Land inflation > general inflation
 - Effective oil production is closer to coming on stream by 2020.
 - Site/location scarcities are skilfully exploited.
 - Partnership deals with local and foreign investors are tactically pursued.

Summary of Subsidiaries Results Net Profit/(Loss) 2016-2025

<u>Year</u>	<u>Co-Generation</u>	<u>Land Sales GSM</u>	<u>Packaging Plant</u>	<u>Total</u>
2016	578	11,621	1,087	13,286
2017	917	10,990	1,125	13,032
2018	1,077	10,990	1,090	13,157
2019	998	10,990	1,101	13,089
2020	1,296	10,990	1,115	13,401
2021	1,670	Nil	1,097	2,767
2022	1,648	Nil	1,077	2,725
2023	1,625	Nil	1,056	2,681
2024	1,601	Nil	1,032	2,633
2025	1,576	Nil	1,007	2,583

Summary of Subsidiaries Results Net Profit/(Loss) 2016-2025

<u>Year</u>	<u>Co-Generation</u>	<u>Land Sales GSM</u>	<u>Packaging Plant</u>	<u>Sugar</u>	<u>Total</u>
2016	578	11,621	1,087	-19,412	-6,126
2017	917	10,990	1,125	-18,066	-5,034
2018	1,077	10,990	1,090	-19,534	-6,377

2019	998	10,990	1,101	-18,188	-5,100
2020	1,296	10,990	1,115	-17,574	-4,173
2021	1,670	Nil	1,097	-18,301	-15,535
2022	1,648	Nil	1,077	-18,370	-15,645
2023	1,625	Nil	1,056	-18,597	-15,916
2024	1,601	Nil	1,032	-19,417	-16,783
2025	1,576	Nil	1,007	-20,085	-17,502

- It can be seen from the above figures that land sales is the major contributor to the low level of losses for the period 2016-2020. No further disposals are assumed after 2020.

7. Conclusion: Window of Opportunity

- Based on the above, a window of opportunity for a Holding Company-Type approach exists to 2020 and possibly beyond.
- This window could be pushed further away, if:
 - Collectively, the other nine subsidiaries make financial headway, between 2016-2020
 - And specifically, more real estate is strategically released for sale after 2020.

Note: This yields more time for Guysuco’s improved valuation.

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