

**NATIONAL ASSEMBLY OF THE FIRST SESSION OF THE
NINTH PARLIAMENT OF GUYANA (2006 -2009)**

FOURTH PERIODIC REPORT

OF THE

**PARLIAMENTARY SECTORAL COMMITTEE
ON ECONOMIC SERVICES**

PRESENTED TO THE NATIONAL ASSEMBLY

BY

THE CHAIRPERSON OF THE COMMITTEE

ON

21ST MAY, 2009

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Fourth Periodic Report of the Parliamentary Sectoral Committee on Economic Services

Introduction

1. The Parliamentary Sectoral Committee on Economic Services (PSCES) is one of four Sectoral Committees of the National Assembly that was established in 2003 by Resolution No. 19 of May 2003 of the National Assembly of the Eighth Parliament. Resolution No. 19 gives effect to the constitutional provisions of article 119 B of the Constitution of Guyana.

2. Standing Order 86 specifically provides for the establishment of the PSCES. This Committee has responsibility for the scrutiny of a number of Government agencies and policies as is provided for in Standing Order 86. This report focuses on the work of the Committee from 23rd January, 2008, to 6th March, 2009.

Members of the Committee

3. In accordance with paragraph 1 of Resolution No. 19 of 2003, and Standing Order 86, the Committee of Selection appointed seven Members of the National Assembly to be Members of the PSCES on the 14th December, 2006.

4. On 16th January, 2008 in keeping with the Standing Orders, the Chairperson for the Government side stepped down and the Chairperson for the opposition side and the Deputy Chairperson for the Government side were elected.

Mr. Antony Vieira, M.S., M.P. - (Elected Chairman by the Committee on 16th Jan 2008)

Ms. Gail Teixeira, M.P. - (Elected Vice Chairperson by the Committee on 16th Jan 2008)

Mr. Mohamed Irfaan Ali, M.P.
Mr. Komal Chand, C.C.H, J.P., M.P.
Mr. Dharamkumar Seeraj, M.P.
Mr. Mohamed F Khan, J.P, M.P. (Alternate)
Mr. Winston S Murray, C.C.H., M.P.
Mr. Dave Danny, M.P. (Alternate)
Mr. Khemraj Ramjattan, M.P.

5. On the appointment of PSCES Member Mr. Mohamed Irfaan Ali as Minister of Housing and Water on the 7th February, 2009, one seat on the Government side became vacant.

Mandate

6. The PSCES obtains its mandate by way of paragraph 3 of Resolution No. 19 of 2003, which states that:

“The Committees shall, in the discharge of their scrutinizing role, examine all policies and administration, for each sector, to determine whether the execution of government policy is in consonance with the principles of good governance and in the best interest of the people of Guyana.”

Meetings of the Committee

7. This Committee held fifteen (15) meetings during the period 16th January, 2008, and 6th March, 2009, of the first session of the Ninth Parliament. The Committee Members agreed to meet twice a month at 9:30 a.m. on Fridays for at least 2 hours.

8. *Please refer to Appendix 1 for the list of meetings held and attendance of Members.*

Work Programme

9. In 2007, the PSCES developed a 5 year work programme covering the life of the Ninth Parliament (2006-2011). Using the agencies under the Committee's purview, the work programme defines the areas of focus of the Committee with timelines over the coming years. This document was adopted by the Committee and lays the framework for the Committee's work in the Ninth Parliament. There was an understanding that some flexibility could be exercised in order to allow the Committee to examine matters of urgent interest.

10. It is important to note that the work programme focuses the Committee's attention on Government's policies and justification and performance in the given areas of responsibilities.

Mode of Operation

11. The Parliamentary Sectoral Committee on Economic Services during the period of review adopted various measures to optimize its scrutiny of government's policies and administration within the framework provided by its mandate.

12. As a policy, the Committee agreed to, and, as far as possible, dealt with issues that were of major national importance and topical in nature. This allowed the Committee to focus its attention on the more important challenges affecting the performance of Government and its entities that were within the Committee's purview.

13. The Committee during the period under review focused mainly on the sugar sector and the Guyana Power and Light Limited due to their importance to the economy and consumers. The Committee made written requests for reports, policy documents and implementation updates from Ministries, Government Officials and entities in those sectors.

14. During this period, the Prime Minister and the Minister of Agriculture were invited as the subject Ministers for Guyana Power and Light Limited and GUYSUCO, respectively to appear before the Committee. The Prime Minister and the Minister of Agriculture responded and appeared before the Committee on the 4th June, 2008, and 11th July, 2008, respectively.

15. The Committee also participated in a joint meeting with the Parliamentary Sectoral Committee on Foreign Affairs with the Minister of Foreign Trade and International Cooperation, Dr. Henry Jeffrey, on the EC/CARIFORUM Economic Partnership Agreement on 22nd May, 2008.

Information Requested and Received

16. The Committee, in keeping with its mandate, requested information from the agencies it has to scrutinize, or from any other entity that may have information that could be of help to the work of the Committee. During the year 2008 the Committee's work zeroed in on the challenges facing GPL and GUYSUCO, respectively.

17. The Committee requested specific information from both entities but got a more favorable response to its request from GPL. In the case of GUYSUCO, the subject Minister gave an explanation as to why the Developmental Plan could not be presented and why the Financial Statements were not yet submitted, when he appeared before the Committee on 11th July, 2008.

18. The Guyana Power and Light through the Prime Minister submitted the following documents:

GPL –Development and Expansion Programme 2008-2012

GOG -Hinterland Electrification Strategy January 2007

GPL- Audited Financial Statements 2003-2006

GPL- Draft Financial Statement 2007

GPL- Demand Forecast 2006-2012

GPL- Lists with number and status of cases at PUC

GOG- Potential Hydro Power Sites in Guyana

19. **GUYSUCO through the Minister of Agriculture** submitted GUYSUCO's - Rainfall Data for 1988-2008 as requested.

20. The Committee noted that GUYSUCO's Annual Reports (2004-2006) were subsequently tabled in the National Assembly on 7th August, 2008.

Committee's Focus

21. Over the period 23rd January, 2008 – 6th March, 2009 the Committee's main focus was on the Energy Sector, (GPL) and the Agricultural Sector (GUYSUCO).

Focus on the Energy Sector

22. The PSCES at the 23rd meeting held on 9th April, 2008, discussed the economic performance of GPL, in light of the prevailing international and domestic environment. The Committee decided to write GPL inviting it to submit Annual Reports for the last five years and Financial Statements among other documents. It also agreed to invite the Management of GPL to appear before the PSCES to answer questions on the functioning of GPL.

23. The subject Minister, the Hon. Samuel A. A. Hinds, M.P., Prime Minister, was written to on the 23rd May, 2008, informing him of the Committee's request to the management of GPL to appear and answer questions in relation to the operations of that entity. The Committee's

questions accompanied the letter. The Prime Minister was also asked to be prepared to apprise the Committee on alternative energy possibilities including Hydro Power.

24. The Hon. Prime Minister and team responded by appearing at the 28th meeting of the PSCES held on 4th June, 2008.

25. Members of the Team:

Hon. Prime Minister Samuel Hinds, M.P- Subject Minister

Mr. Winston Brassington - Chairman GPL Board

Ms Maxine Nestor - Project Coordinator

Mr. Mahendra Sharma - Chief Executive Officer (Ag), Guyana Energy Agency

Mr. Barat Dindyal - Chief Executive Officer (Ag), GPL

26. All Members of the PSCES were present except Mr. Komal Chand, C.C.H., JP, M.P., who asked to be excused and Mr. Dave Danny, MP. The staff of the Committees Division was present and lent valuable support.

Presentation on the Energy Sector and the Guyana Power and Light Corporation

27. The presentation began at 10 a.m. with the Prime Minister giving an overview on policy issues as it relates to GPL. The Prime Minister made a presentation on the prospects for Hydro Power as an alternative to Fossil Fuel as a means of producing energy and reducing the country's dependence on Fossil Fuel. He described the efforts of the Government to attract investors in a Hydro Electric Project and the status of the negotiations. He also shared information on the efforts being made in relation to the use of solar and wind power.

28. GPL submitted written answers to the questions they had received in advance as well as presented the requested documents which have been referred to earlier in this report. The other members of the team provided answers to the more technical questions.

29. Committee Members effectively used the opportunity of the presence of the Prime Minister and his team to candidly discuss the challenges facing the energy sector with particular reference to GPL and the concerns of consumers.

30. Some of the main concerns raised by Members of the PSCES were whether there exists a Plan to move GPL as a company to a better financial situation, given the present economic environment, where GPL has a huge financial deficit. Members requested information on whether there would be a change in tariffs presently being charged taking into consideration the increasing price of fuel. Issues such as the high percentage of losses and low percentage of successes in efforts to reduce these losses in the national grid were also raised by the Members.

31. The Committee, whilst being appreciative of GPL's written response to its questions, shared the view that if the responses were received earlier, this would have allowed Members to hold more informed discussions.

32. The Committee concluded that the situation as it exists presently at GPL continues to put some strain on the Government to meet the short fall in its cash flow needs. Taking into account the prevailing international environment, it recognized that GPL will have to strike a balance between raising tariffs and subsidizing the losses the entity incurs. GPL's five point Development Plan appeared to show that, despite the problems the company faces, it could lead to improvement in the future; however, all Members did not agree. The issue of finance will continue to be a big challenge if GPL cannot generate enough money to operate profitably, since

based on GPL (2004-2007) financial statements submitted to the Committee the company was clearly under some financial stress.

33. *Please refer to Appendix II, for the verbatim record of the meeting – 4th June, 2008, and Appendix III, GPL - Matrix of issues raised and responses.*

Focus on the Agriculture-Sector

34. The PSCES, after weeks of discussions on the economic performance of GUYSUCO in light of the prevailing international and domestic environment, decided at the 23rd meeting held on the 9th April, 2008, to write GUYSUCO inviting it to submit the Skeldon Expansion Project Document and any other relevant and up-to-date project documents. The Committee also decided to invite the Management of GUYSUCO to appear before the PSCES. The Committee discussed and agreed to the list of proposed questions to the entity on its performance.

35. The CEO of GUYSUCO was written to on the 18th June, 2008, informing him of the Committee's request for the management of GUYSUCO to appear before the Committee to answer questions in relation to the operations of that entity. The letter, along with the questions, was copied to the subject Minister.

36. The Hon. Minister of Agriculture and team responded and agreed to appear before the PSCES on 11th July, 2008, at its 30th meeting.

37. Members of the Team:

Hon. Robert Persaud, M.P	- Subject Minister
Mr. Ronald Ally	- Chairman GUYSUCO Board
Mr. Nick Jackson	- Chief Executive Officer (GUYSUCO)

Mr. Paul Bhim

- Finance Director (GUYSUCO)

Ms T. Curbermack-May

- Corporate Planner (GUYSUCO)

38. All Members of the (PSCES) were present supported by the Committees Division staff.

Presentation on the sugar sector and GUYSUCO

39. The presentation began at 10 a.m. with the subject Minister leading off on policy issues as it relates to GUYSUCO. The other members of the team addressed the more technical questions which the Committee had submitted in advance. It should be noted that no written answers were provided by GUYSUCO to the written questions submitted by the Committee. The Minister stated that there were aspects of the information requested that he could not give in public about GUYSUCO since it formed part of a plan which was being discussed with the European Union.

40. Some Members felt that neither the Minister nor the GUYSUCO team presented any evidence that the Skeldon Expansion Project Plan was anything other than a very optimistic project which could probably not be the panacea for the industry as was being presented by the GUYSUCO team.

41. Committee Members used the opportunity provided by the delegation to raise a number of issues and a frank and open discussion ensued for almost two hours.

42. The issues of present and future projections as it relates to the total output of sugar, cost of production, and world market prices from present to 2016 were key areas of discussions and cause for concern, as it related to GUYSUCO.

43. Please find attached in Appendix IV a copy of the verbatim record of the Meeting – 11th July, 2008.

44. It should be noted that this meeting of the PSCES was well attended by the media as was the previous meeting with the Prime Minister's delegation. The Committee again noted that although its meetings are open to the media and the public, this opportunity was underutilized. It noted that the media only attended when a Minister is asked to make an appearance before the Committee.

Post presentation on GUYSUCO

45. The situation in the sugar sector and GUYSUCO, compounded with a worsening economic situation internationally as well as its impact on the domestic front, continued to capture the Committee's attention for the rest of the year.

46. To this end, the PSCES wrote on the 5th August, 2008, to the CEO (Ag) of GUYSUCO, Mr. Paul Bhim, seeking permission to visit the Skeldon Factory Project. However, on the same day GUYSUCO replied, informing the Committee that the request should be sent through the subject Minister for consideration. The National Assembly went into recess and the Committee did not meet again until 28th November, 2008.

47. The Committee at the 33rd meeting held on 5th December, 2008, decided to write the Minister of Agriculture requesting that the Management of GUYSUCO return to answer additional questions on current and emerging challenges the entity faces in light of the present economic environment.

48. The letter dated 9th December, 2008, was addressed to the Minister of Agriculture and copied to the CEO (Ag), Mr. Paul Bhim of GUYSUCO.

49. The Members of the PSCES continued to be genuinely concerned about the state of the Sugar Industry, recognizing that it is a major contributor to the economy. With this in mind, the Committee continues to treat the issues of this Industry as a high priority. The Committee noted the establishment of a new Interim Board that was appointed in December, 2008, to develop a “turn around plan” for GUYSUCO.

50. At its 35th Meeting, held on 6th March, 2009, the Committee agreed that a report to the National Assembly on GUYSUCO would be sent after the return visit of GUYSUCO’s representatives to the Committee in relation to new developments.

Constraints

51. The PSCES held a smaller number of meetings in this reporting period than in the last reporting period. This could have in a way worked against the Committee, since more areas under its mandate could have been looked at. It must be noted however, on these occasions, good reasons were always given.

Access to Governmental Officials and Agencies

52. There is generally a healthy relationship between the Committee and the Government Agencies that fall under the mandate of the PSCES as it relates to accessing them. There continue to be some issues with the timeliness of some reports, although explanations are usually given.

Human Resource /Constraint/Upgrade

53. The Committees Division continues to improve on the quality of work it provides to the PSCES and to make efforts to employ through the Parliament Office the requisite staff. As it relates to training of staff, this has the attention of the management of the Parliament.

Access to Parliament website and Computerization of Records

54. The Committee noted that the FFMP project has ended and the constant up-dating of the Parliamentary website is still to be resolved. However, the internal networking system at Parliament has seen some improvement, as well as some of the records of the Parliament were computerized and placed on the website.

55. Members of this Committee had proposed that MPs should have their individual sites to log on to and interface with the public or access documents electronically. It is hoped that this will become a reality in the near future.

Observations and recommendations

56. The PCES over the reporting period had little trouble obtaining information to facilitate the work of the Committee from the relevant agencies, except from GUYSUCCO.

57. As in the last reporting period, the Committee continued to have problems in receiving timely verbatim records from the contractor in this reporting period. However, this is presently being addressed by the management of the Parliament.

58. In comparison to the last reporting period, there were no field visits to the areas of concern under discussion in the Committee. It should be noted that the Committee made an effort to visit to Skeldon Sugar Estate but was unsuccessful.

59. The level of public participation/interest in the work of the PSCES has still not improved as was expected over this reporting period. There only seems to be an interest on the part of the media when there is something being discussed that they deem sensational/very topical. There needs to be more work done to inform the public on the work of the Committee and to attract them to attend. The Committee reiterates its recommendation in its last report on the need for a public relations and communication programme with the public.

60. This can be done by sending electronic notices of meetings to the various media houses, as well as, placing a weekly advertisement in the Sunday newspapers specifying the name of committee(s) meetings to be held and a summary of the item(s) that will be discussed.

Acknowledgement

61. The Chairperson, Mr. A. Vieira, and Members of the PSCES wish to thank the Clerk and staff of the Committees Division and the Parliament Staff in general for the support received over this period. The Chairperson also wishes to place on record his appreciation of the support given by Members of the Committee to the work of this Committee.

APPENDIX I

Statutory Meetings

Meetings	Dates of Meetings
21 st Meeting	January 23rd, 2008
22 nd Meeting	February 6th, 2008
23 rd Meeting	April 9th, 2008
24 th Meeting	April 16th, 2008
25 th Meeting	May 9th, 2008
26 th Meeting	May 16 th , 2008
27 th Meeting	May 23 rd , 2008
28 th Meeting	June 4 th , 2008
29 th Meeting	June 20 th , 2008
30 th Meeting	July 11 th , 2008
31 st Meeting	July 18th, 2008
32 nd Meeting	November 28 th , 2008
33 rd Meeting	December 5 th , 2008
34 th Meeting	December 12 th , 2008
35 th Meeting	March 6 th 2009

PARLIAMENTARY SECTORAL COMMITTEE ON ECONOMIC SERVICES

ATTENDANCE RECORD (21st - 35th Meetings)

January 2008 - March 2009

NAMES	January	Feb.	April		May			June		July		Nov	Dec		March
	23 rd	6 th	9 th	16 th	9 th	16 th	23 rd	4 th	20 th	11 th	18 th	28 th	5 th	12 th	6 th
Mr. Anthony Vieira, M.S., M.P.	Pr.	Pr.	Pr.	Pr.	Pr.	Pr.	Pr.	Pr.	Pr.	Pr.	Pr.	Pr.	Pr.	Pr.	Pr.
Ms. Gail Teixeira, M.P.	Pr.	Pr.	Pr.	Pr.	Pr.	Ex.	Pr.	Pr.	Ex.	Pr.	Ex.	Pr.	Ex.	Ex.	Pr.
Mr. Mohamed Irfaan Ali, M.P.	Pr.	Pr.	Pr.	Pr.	Ex.	Ex.	Ex.	Pr.	Ex.	Pr.	Pr.	Abs.	Pr.	Pr.	Pr.
Mr. Komal Chand, C.C.H., M.P.	Pr.	Pr.	Ex.	Pr.	Pr.	Abs.	Ex.	Ex.	Ex.	Ex.	Ex.	Pr.	Ex.	Ex.	Ex.
Mr. Dharamkumar Seeraj, M.P.	Pr.	Pr.	Pr.	Pr.	Ex.	Pr.	Pr.	Pr.	Pr.	Pr.	Pr.	Pr.	Pr.	Ex.	Pr.
Mr. Mohamed F. Khan, J.P., M.P.	Pr.	Pr.	Abs.	Pr.	Ex.	Pr.	Pr.	Pr.	Pr.	Pr.	Ex.	Pr.	Ex.	Pr.	Pr.
Mr. Winston Murray, C.C.H., M.P.	Ex.	Ex.	Pr.	Pr.	Abs.	Pr.	Pr.	Pr.	Pr.	Pr.	Pr.	Pr.	Pr.	Pr.	Pr.
Mr. Dave Danny, M.P.	Pr.	Pr.	Pr.	Pr.	Pr.	Pr.	Abs.	Pr.	Pr.	Pr.	Pr.	Pr.	Pr.	Pr.	Pr.
Mr. Khemraj Ramjattan, M.P.	Abs.	Abs.	Abs.	Pr.	Pr.	Abs.	Abs.	Pr.	Abs.	Pr.	Abs.	Abs.	Abs.	Abs.	Abs.
Duration of Meeting	1 hr. 40 mins.	1 hr. 30 mins.	1 hr.	1 hr. 35 mins.	1 hr. 5 mins.	1 hr. 15 mins.	2 hrs.	3 hrs. 10 mins.	1 hr. 10 mins.	3 hrs.	2 hrs. 45 mins.	1 hr. 40 mins.	1 hr. 20 mins.	1 hr.	1 hr. 35 mins.

Pr. - Present
 Abs. - Absent
 Ex. - Excused

Committees Division
 Parliament Office
 Public Buildings
 Georgetown

PARLIAMENTARY SECTORAL COMMITTEE ON ECONOMIC SERVICES

TOTAL OCCASIONS PRESENT, EXCUSED OR ABSENT (21st – 35th Meetings)

NAMES	No. of Meetings	Present	Excused	Absent
Mr. Anthony Vieira, M.S., M.P.	15	15		
Ms. Gail Teixeira, M.P.	15	10	5	
Mr. Mohamed Irfaan Ali, M.P.	15	10	4	1
Mr. Komal Chand, C.C.H., M.P.	15	5	9	1
Mr. Dharamkumar Seeraj, M.P.	15	13	2	
Mr. Mohamed F. Khan, J.P., M.P.	15	11	3	1
Mr. Winston Murray, C.C.H., M.P.	15	12	2	1
Mr. Dave Danny, M.P.	15	14		1
Mr. Khemraj Ramjattan, M.P.	15	4		11

**Committees Division
Parliament Office
Public Buildings
Georgetown**

APPENDIX II

PARLIAMENTARY SECTORAL COMMITTEE ON ECONOMIC SERVICES

RECORD OF PROCEEDINGS of the 28th Meeting of the Parliamentary Sectoral Committee on Economic Services of the 1st Session (2006-2008) of the Ninth Parliament of Guyana, held in the Committee Room No. 1 Committees Division, Public Buildings, Georgetown.

AT 9:30H

WEDNESDAY, 4 June 2008

MEMBERS (10)

CHAIRMAN (PNCR-1G) (1)

(Nominated by the Committee of Selection on 14 December 2006)

(Elected by the Committee on 16 January 2008)

Mr Anthony Vieira MS, MP

VICE-CHAIRPERSON PPP/C (1)

(Nominated by the Committee of Selection on 14 December 2006)

(Elected by the Committee on 21 December 2006)

Ms Gail Teixeira MP

Other Members from the People's Progressive Party/Civic (PPP/C) (3)

(Nominated by the Committee of Selection on 21 December 2006)

Mr Mohamed Irfaan Ali MP

Mr Komal Chand CCH, JP, MP (Absent-excused)

Mr Mohamed F Khan JP, MP *(Alternate)*

Mr Dharamkumar Seeraj MP

Other Members from the People's National Congress Reform –One Guyana (PNCR-1G) (2)

(Nominated by the Committee of Selection on 21 December 2006)

Mr Winston S Murray CCH, MP *(Alternate)*

Mr Anthony Vieira MP

Member from the Alliance for Change (AFC) (1)

(Nominated by the Committee of Selection on 14 December 2006)

Mr Khemraj Ramjattan MP

Officers

<i>Ms Sherene Warren</i>	-	<i>Clerk of Committee</i>
<i>Ms Savitah Samwao</i>	-	<i>Assistant Clerk of Committee</i>
<i>Mr Nickalai Pryce</i>	-	<i>Assistant Clerk of Committee</i>
<i>Mr Eton Moses</i>	-	<i>Documentation and Preparation Officer</i>

In attendance

Hon Samuel AA Hinds, Prime Minister and Minister of Public Works and Communications

9:40H

**28TH MEETING OF THE PARLIAMENTARY SECTORAL COMMITTEE ON
ECONOMIC SERVICES**

The Chairman: I would like to start. Welcome to our 28th Meeting.

ANNOUNCEMENTS

As you know, we have the Prime Minister today, which is the main item on the Agenda.

EXCUSES

An excuse for today's meeting has been received from Mr Komal Chand.

CIRCULATION OF DOCUMENTS

The following documents were circulated prior to the meeting:

- (i) Notice of the 28th Meeting dated 29 May 2008;
- (ii) Minute of the 27th Meeting held on 23 May 2008;
- (iii) Copy of letter dated 23 May 2008 to Hon Samuel Hinds, MP re
Invitation to appear before the Parliamentary Sectoral Committee on
Economic Services;
- (iv) Copy of letter dated 29 May 2008 to Mrs Volda Lawrence re
Proposed Joint Meeting of the Public Accounts Committee and the
Parliamentary Sectoral Committee on the Economic Services for the
presentation by the Accountant General's Office on IFMAS;
- (v) Copy of questions to the Guyana Power and Light Inc. (GPL)
- (vi) Copy of Document on Potential Hydropower Sites in Guyana; and
- (vii) Verbatim record of the 19th Meeting held on 5 December 2007.

The following documents were circulated at the Meeting:

- (i) Documents on the IDB/GOG Funded Areas;
- (ii) Document on the Audited Financial Statement of the Guyana Power and Light Inc;
- (iii) Document on the Government of Guyana Strategy for Sustaining the Guyana Power and Light Inc.
- (iv) Document on the Government of Guyana Hinterland Electrification Strategy;
- (v) Document on Development and Expansion Programme 2008-2012 - Exhibit 1;
- (vi) Answers to the Questions posed by Parliamentary Sectoral Committee on Economic Services (23 May 2008);
- (vii) Exhibits 2, 4, 5, 6 and 7;
- (viii) Audited Financial Statements for the year ended 31 December 2004;
- (ix) Draft Financial Statements for the year ended 31 December 2007;
and
- (x) Financial Statements for the year 31 December 2005

BUSINESS OF MEETING:

- (i) Presentation by Hon Samuel AA Hinds, Prime Minister and Minister of Public Works and Communications on the Guyana Power and Light Inc. (GPL);
- (ii) Correction and Confirmation of the 27th Meeting held on 23 May 2008;
- (iii) Matters arising.

Any Other Business

Without any further ado, may I direct your attention to the Minutes?

(ii) CORRECTION AND CONFIRMATION OF THE MINUTES OF THE 27TH MEETING HELD ON FRIDAY, 23 MAY 2008

Corrections

Page 1 - Attendance of Members

Are there any corrections on this page?

[No objection - Page 1, as printed stands part of the Minutes]

Page 2

Are there any corrections on Page 2?

Just for my curiosity, is Mr Irfaan Ali okay, I understand he was not feeling?
What is the position with him?

Mr Dharamkumar Seeraj: I think he is okay. I saw him

The Chairman: I expect him today and Ms Teixeira will be here, flying all the flags they could possibly raise.

[No objection - Page 2 as printed, stands part of the Minutes]

Page 3

[No objection - Page 3, as printed stands part of the Minutes]

Page 4

[No objection - Page 4, as printed stands part of the Minutes]

Page 5

[No objection - Page 5, as printed stands part of the Minutes]

Page 6

[No objection-Page 6, as printed stands part of the Minutes]

Page 7

[No objection-Page 7, as printed stands part of the Minutes]

Well Members, I think we have to congratulate the Staff for producing Minutes which were not required to be corrected; so my congratulations to Ms Warren and her team.

So could we go to .Matters Arising?

Mr Mohamed F Khan: Mr Chairman, the adoption of the Minutes.

The Chairman: Yes, Could I...

Mr Mohamed F Khan: I beg to move the adoption of the Minutes.

Mr Dave Danny: I beg to second.

The Chairman: Mr Khan seconded by Mr Danny.

[The Minutes of the 28th Meeting held on 4th June 2008 were confirmed without corrections on a Motion moved and seconded by Mr Mohamed F Khan and Mr Dave Danny respectively]

Is that the Prime Minister's team there, because I would not like to keep the Prime Minister waiting especially due to the fact that Mr Murray...?

Clerk of Committee: Not as yet. The media is here.

The Chairman: He is not here as yet. Is that the media? *[Pause]*

Thank you for coming Members of the Media. We will arrange seating accommodation for the Media. There is a meeting going on upstairs, so there is shortage of chairs.

Has the Prime Minister asked to use the Power Point?

Clerk of Committee: No.

The Chairman: So it is okay for the media to be set up there

We will proceed to the next Item.

(iii) MATTERS ARISING

Page 1...

Mr Dharamkumar Seeraj: Mr Chairman just before we move... just a quick... in anticipation of not disturbing the Meeting, do you have any idea of what will be the size of the Prime Minister's team?

The Chairman: No, he did not intimate that.

Mr Winston S Murray: Did we inquire?

Clerk of Committee: We did not.

Mr Winston S Murray: I suggest that somebody call the Prime Minister and tell him that we would like to know, because we would hate to have eight people coming and we only have a few chairs.

The Chairman: I see some chairs there.

Mr Winston S Murray: In case we need more.

9:50H

[Mr Mohamed Irfaan Ali arrives]

The Chairman: Good morning Honourable Member Mr Irfaan Ali is here. I am happy to see you finally.

Mr Winston S Murray: He was just excused.

The Chairman: I am happy to see you well enough and I hope that when it comes to your continued good health as a matter of ...

Mr Winston S Murray: ... importance!

The Chairman: Well, as a matter of ...

Mr Winston S Murray: You want to use a stronger word ...

The Chairman: As a matter of some importance to your side ...

Page 2

Paragraph 3.1.3

I have to confess that I did go to see Mr Seeraj at his office and he did call me back, but we have not in fact met to short list the questions for GUYSSUCO.

Mr Winston S Murray: Which page are you on to? ...

The Chairman: Concerning Matters Arising on Page 2, at the bottom Paragraph 3.1.3, I have to confess that I still don't see Mr Seeraj in his office ... if you will forgive me Honourable Member.

9:55H

[Ms Gail Teixeira arrives]

Mr Winston S Murray: ... Because I think there is another section on Page 5 that talks about a Sub-Committee comprising the Chairman, Mr Seeraj and Mr Chand to deal with the same matter. So that might have been a more appropriate point to deal with it ... so let us write that in.

The Chairman: Okay. All that remains to be done is the short list ...

Page 3

Honourable Members, any matter arising on this page?

The draft letter to the Chairperson was signed

Page 4

Paragraph 6.2.2 (ii)

Mr Mohamed F Khan: The redrafting of the letter by the Vice-Chairperson to be sent to the Chairperson of the Public Accounts Committee ...

Mr Winston S Murray: Was a copy circulated?

The Chairman: We did indeed redraft the letter and it was sent off to the Chairperson of the Public Accounts Committee.

Is there any other matter arising on Page 4?

9:55H

[Mr Khemraj Ramjattan arrives]

Page 5

Paragraph 7.1.2.

Mr Winston S Murray: Mr Chairman, I think ... *[Inaudible]*

The Chairman: I went back again. He was not there. We had arranged to meet on Monday morning, so for some reason Mr Seeraj we never did meet, get together. With the greatest of respect for what it is worth, we did not get together. We did not have an opportunity to meet again.

Mr Dharamkumar Seeraj: Mr Chairman, I suspect that we had not really finalised the arrangements for the meeting. That is one.

However, I am certain that you are like me looked at the questions and I sought to put it into three areas. It would take about five minutes after this meeting so that we can finalise them.

The Chairman: No, after this Meeting I expect to go after something else ... *[Inaudible]* and after this Meeting, I have ... *[Inaudible]* So I would not be able to meet with you after this meeting. Therefore ...

So that takes care of this matter.

Is there any other Matter Arising on Page 5?

Paragraph 7.1.2

Mr Winston S Murray: Sir, I am not sure what was the intention of the Sub Committee. You, Mr Seeraj and Mr Chand had agreed to meet to reorganise and restructure the matrix and categorisation of the questions. These letters need to

go off, because I mean time is dragging on and two weeks have gone and we have not got the thing off.

Speaking for my side, I am prepared to have you and Mr Seeraj and Mr Chand finalise the questions and then letting them go. We had basically agreed to the questions, except for some re-wording and just putting them in capitals.

The Chairman: Yes, especially in view of the fact that we had agreed that we shall not meet until after you and Ms Teixeira return from abroad.

So Mr Seeraj I guess we have to be working very diligently to produce a list of questions which would be acceptable to both sides.

Yes Mr Murray, I think that I would have preferred personally, but since we are not going to complete the Economic Services meeting until Ms Teixeira has returned from abroad and we wait I think it is best that we send off the questions.

Mr Khemraj Ramjattan: Mr Chairman, I want to know if I may be allowed to ask a couple of questions at this very late stage... *[Interruption]*

Mr Mohamed Irfaan Ali: ... *[Inaudible]*

Mr Khemraj Ramjattan: No, I am asking the Chairman's permission, if he would allow it.

The Chairman: I recognise, Mr Ramjattan

Mr Khemraj Ramjattan: Yes, thanks very much.

It has to do with some of the issues that were recently brought to my attention in connection with the Molasses deal with a certain Clico or Angostura Bitters firm from Skeldon having relation to the... *[Interruption]*

The Chairman: Mr Ramjattan

Mr Khemraj Ramjattan: Yes.

The Chairman: We are still in the drafting stages...

Mr Khemraj Ramjattan: ... of the questions.

The Chairman: And therefore you can submit those very questions, because Mr Seeraj and I will certainly take them under consideration.

Mr Khemraj Ramjattan: Thank you very much, Sir.

I notice Irfaan wants to block it.

Mr Mohamed Irfaan Ali: No, no, no, I thought you wanted to add questions on GPL thing.

Mr Khemraj Ramjattan: No.

Mr Mohamed Irfaan Ali: Oh, sorry about that.

The Chairman: As far as possible, we would like to have consensus on all the issues. We do not want ...

Mr Mohamed Irfaan Ali: My apologies.

The Chairman: He has a question and he would like to put it in. Mr Ramjattan, Mr Seeraj and I will meet on Friday to finalise the questions.

[Pages 6 and 7 under Matters Arising deferred]

10:00H

(i) **ORAL PRESENTATION BY THE PRIME MINISTER AND MINISTER OF PUBLIC WORKS AND COMMUNICATIONS HON SAMUEL AA HINDS**

Members of the Team:

*Mr Winston Brassington - Chief Executive Officer
Chairman, Guyana Power and Light Inc.*

Ms Maxine Nestor - Project Coordinator, UAEP

*Mr Mahendra Sharma - Chief Executive Officer (Ag)
Guyana Energy Agency*

*Mr Bharat Dindyal - Chief Executive Officer,
Guyana Power and Light Inc.*

It is time for us to rise to welcome the Prime Minister.

Hon Samuel AA Hinds: Yes Sir, thank you very much

The Chairman: On behalf of the Economic Services Committee, I welcome you and your team.

Hon Samuel AA Hinds: That clock is a little bit fast, just so everybody knows.
[Laughter] It is probably now half a second to ten o'clock

The Chairman: So we will suspend Matters Arising from the Minutes and we will take the Prime Minister now. We will go to the substantive item on the agenda. *[Pause]*

The Chairman: Good morning Mr Prime Minister.

Hon Samuel AA Hinds: Good morning.

The Chairman: Oh behalf of the Members of the Economic Services Committee, I welcome you to our Meeting.

Prime Minister as you know, we had invited you come this morning to see us and we are very happy that you have agreed to come and we have submitted a list of questions, which we are hoping that we will receive answers to.

With reference to your vast experience in Parliamentary Matters, it appears to me that Mr Murray, I am going to ask you to advise me on how we should proceed along the lines of the questions.

So without further ado, Prime Minister, you may proceed.

Hon Samuel AA Hinds: Thank you very much Mr Chairman and Members of the Economic Services Sector Committee. I appreciate very much this opportunity to come and speak to you about the Electricity Sector in Guyana and GPL in particular.

I appreciate this opportunity, because I think that this Committee, Parliamentarians and the Nation as a whole need to learn more about what is involved in the generation and delivery of electricity to our people. And this is particularly so at this time when in Guyana and in the world at large, oil prices are so much higher than they used to be; many times what they were even five years ago. And as we in Guyana, nearly 100 percent or I should say 90 percent of our electricity comes from petroleum sources, we feel very directly the increase in the price of fuel.

I think Mr Chairman and Members I feel quite proud of the achievement of Guyana Power and Light over the last dozen years or so. I think we have done a very humane job in maintaining prices at the lowest possible in our circumstances and delivering a steadily improving service to our fellow citizens in Guyana.

I have seen the list and we have had a review of the specific questions that you have put here, I think I would like to submit to you the most recent development and expansion programme for GPL, which I think is quite an encompassing document that brings everything together - all the pieces that are involved in generating and supplying electricity.

The situation is that every year GPL is required to produce, provide and make available a rolling five-year development and expansion programme, which focuses on the immediate year, but also extends further.

We have had advice more recently that maybe here, we should add another two pages that look maybe even twenty years out. At the current moment, the law requires that a rolling five-year plan be produced each year and this takes a very comprehensive, holistic view of GPL in particular.

I would like to refer also to some other documents that we have provided and these are available; there is a Government of Guyana Strategy for Sustaining the Guyana Power and Light Inc.

I would like to refer also to our Hinterland Electrification Policy that has been produced and it is available. The Government of Guyana Hinterland Electrification Strategy has been available on the web. So we do not only pursue electrification of our fellow citizens here on the Coast and in the course of time, but we have in mind always and we look also to the steady improvement of living conditions for our citizens in the distant Hinterland.

I think that is my overview on the questions provided here, many of the specific answers would be provided mainly by the Chairman of GPL and the CEO, if he is not here, he would be here shortly.

Let me take this opportunity to introduce Ms Maxine Nestor, who has been working in my office and particularly with issues relating to the regulation of the Electricity Sector and being Project Co-ordinator for a number of loan programmes we have had with the IDB, which relate to the Electricity Sector.

I have also here with me Mr Mahendra Sharma, the Acting Head of the Guyana Energy Authority.

Perhaps, Sir, I could go ahead and maybe start addressing the particular questions that we have here or at least we can move here. The status of ...

[Interruption]

The Chairman: We are dealing with GPL

Hon Samuel AA Hinds: I think on **Question A:**

Are there any policy documents/plans which set out Government's plans for the Fossil Fuel Generation of Energy over the next five to ten years? If so, could these be made available to the Economic Services Committee?

This question seems to be directed at Fossil Fuel Generation of Energy. We thought when we reviewed this that maybe we did want to look at the broad question of energy generation in Guyana. But if I start off by looking at Fossil Fuel ... *[Interruption]*

The Chairman: If I might interrupt, Prime Minister, we have visualised that we will look at the Fossil Fuel, because that is what exists presently and at a separate exercise we will look at any new alternative.

Hon Samuel AA Hinds: Okay, if I speak to the alternative, the position is that currently GPL generates power based on fifty percent on diesel and about fifty percent on heavy fuel oil. Heavy fuel oil generally costs maybe seventy percent of what diesel fuel costs, although there have been some rare occasions when heavy fuel oil at a particular moment might have been a bit more costly than diesel, but general I think it runs about seventy percent of the cost of diesel and just to give a bit of history, earlier on maybe much more of generation was based on diesel. I think heavy fuel oil started coming in 1996, with the introduction of

the Wartsilla Units in 1994. So we moved from maybe 100 percent diesel in 1994, they would have been some generation still out of the Steam Plant in Kingston at that time, but in terms of the diesel engine they were all on diesel. From 1994 onwards to now, we have about fifty percent of our generation coming from heavy fuel oil and there is a significant saving in there. We have some information which shows:

- Average cost of generation with diesel; and
- Average cost of generation with heavy fuel oil

It is going to come up later in some of the more detailed presentations from GPL.

At this moment, we need and we have needing for some time additional generation here in the GPL system. We have had a general idea that we need to be putting in maybe five to ten megawatts of new generation in the year to cover demand/increase and also retirement of old units.

We have fallen behind not because we were not aware of the need, but we have fallen behind because of the money and the costs. An additional twenty to thirty megawatts of new generation has been our desire maybe since about 2003 and we proceeded on many fronts, but we have always been constrained by the issue of cost or by the issue of financing it initially, having the monies to finance it and the derived cost in the increase of electricity prices. So we have been constrained, but at this time we have a commitment and we have placed orders and we are to build a new 20 MW station, located at Kingston including, I think, 3 X 6.9 MW Wartsilla Units, which would burn heavy fuel oil and we hope to have this station in place by May of next year.

I could take this opportunity to ask for understanding, because when we do this, there will be certain requirements, for example the old railway line/ track between Main Street and leading into Sophia would need to be cleared to facilitate a new transmission main from the Kingston Power Station to the Sophia site and we need to that pretty urgently; we to start on that...

The Chairman: ...running parallel to Lamaha Street.

Hon Samuel AA Hinds: Yes, but running along the old railway line, where people have squatted and settled over the years - since 1976 or whenever it was - but we would need to have that area in a few months to start putting up the transmission lines.. So that is what we have been doing with Fossil Fuel in particular we have changing over from diesel base to heavy fuel oil.

We have been looking for opportunities beyond Fossil Fuel and of course Hydro-electricity is the first thing that comes to mind and Hydro electricity has been very much on the books of the Government of Guyana from the early 1970s, when an initial survey with United Nations help was done of potential sites in Guyana of about at least 67 sites; some 6 sites were thought to be the better of the best of all of them. You would have heard of Amalia and we are hoping by the end of this year, the ground will be broken for the development of the Amalia site which will make 100 megawatts to 140 megawatts available for Guyana.

I must say this is not an issue of going from dear electricity to cheap electricity this is an issue of switching from electricity from the current price to electricity as nearly the same price, but being protected against further increases in the price of oil. If all goes well according to plan maybe by 2012 we should be having maybe seventy to eighty percent of our electricity coming from that source.

You would note too about the electricity coming out of the new Skeldon Plant, Mr Chairman ... you may know of this even better than I do, that in the earlier days I remember receiving a presentation by one, Y Burkett, and even a colleague of mine from school, QC groups, who was in the sugar business and making a presentation that sugar factories at that time set the pressure of their boilers so that they need to accomplish three things:

- They burnt all the bagasse;
- They generated enough electricity that they needed; and
- They generated enough steam

And the number came out at 180 psi or something ... That was so that it met those ends.

In the new Skeldon Plant in these times the direction is to more or less maximize or to seek to maximize electricity generation itself to the grid, so we have a much higher pressure boiler so that more electricity is generated from this same amount of bagasse and they have excess bagasse to sell to the grid.

Let me say before the question comes up that GUYSUCO and the Electricity Utility over the years, maybe ten/ twenty years, we have been talking on and off about this and it was never, let me say, a cheap thing.

GUYSUCO looks at least to get enough money and a little bit more to make it worthwhile to Guyana. On the other hand the Electric Utility is also concerned that it does not enter into agreements which bring power at a price greater than an alternative and the standard alternative for the last fifteen years or so for electricity has been heavy fuel oil-fired diesel engine. So I would say that there

are still some negotiations going on in the price in the Purchase Power Arrangement -Agreement between GUYSUCO and GPL - as to the price or the pricing structure that at the same time makes it worthwhile for GUYSUCO and at the same time it is not excessive for GPL.

We had recently to the pursuit of a wind project on the East Coast at Hope Beach and a private company, a group that has some windmills in Aruba, Curacao, one of those places, has been pursuing doing similarly on Hope Beach. Here again, the issue has been one of price and I think we are close to the point where it could be concluded.

Generally, alternative energy systems still cost more than Fossil Fuel and GPL is hoping that they will be able to conclude, I think, Delta Engineering to have the wind power farms put up at Hope Beach.

I think that this is my initial addressing of the question of the base - the primary source - of electricity for GPL in particular.

I think, Sir, at this time the other questions can better be answered by GPL in particular to a number of them.

So I could pause at this moment and respond to any general questions that members of this Committee may have and then maybe the Chairman and the CEO of GPL could take us along through the other questions, which deal more directly with them and what they do from time to time, where there are policy issues involved, I can come in. Thank you.

The Chairman: Thank you, Mr. Prime Minister

I will start the ball rolling. *[Pause]*

Hon Samuel AA Hinds: I think, I told you that we did submit packages there.

The Chairman: Okay, we have people to study them. We will certainly circulate them.

Mr. Prime Minister, you said that ninety percent of the total generation is from Fossil Fuel.

Hon Samuel AA Hinds: Yes.

The Chairman: Might I ask you where the other ten percent is being generated from at this time?

Hon Samuel AA Hinds: Bagasse mainly ... *[Interruption]*

The Chairman: Not to the grid?

Hon Samuel AA Hinds: No, not to the grid. Some of these questions seem to be directed to GPL and some of them directed to the total situation in Guyana. The grid at this moment is all Fossil Fuel.

The Chairman: It is all Fossil Fuel at the moment, so therefore it is not here; the ninety percent is not the figure ...

Hon Samuel AA Hinds: GPL is 100 percent Fossil Fuel as of this moment.

The Chairman: Yes, that is what we wanted to get at. Thank you.

The second question that I would like to ask is: you said generally since the increase in fuel prices, you have done a good job in maintaining the low prices of GPL?

Hon Samuel AA Hinds: ... maintaining prices as low as possible...

The Chairman: Mr Prime Minister, I would like to refer to the licence.

Hon Samuel AA Hinds: Yes.

The Chairman: This is to supply electricity for public purposes granted to GPL under Section (4) and (3) of 1 October 1999.

Hon Samuel AA Hinds: Yes.

The Chairman: Sir, the licence says that the targets for addressing the losses, with respect to the first one for year one was twenty percent. This is meter losses not due to faulty meters within the system. These are conditionalities of which you privatise this Company, passed in the AP and ESBI for management.

- Year One - Twenty percent
- Year Two - Fifteen percent
- Year Three - Twelve percent
- Year Four - Eight percent
- Year Five - Four percent

Unfortunately, Mr Prime Minister, I have to say none of these targets has been met.

Hon Samuel AA Hinds: And you must say too as a result of this ESBI with due, you know the story, they came out...

The Chairman: I heard that.

Hon Samuel AA Hinds: There were taken of task for not achieving those targets, you may know also that the PUC put a fine of \$7 million or something like that,

The Chairman: US\$1.3 billion

Hon Samuel AA Hinds: US \$7 million. You may note too that there has been argument as to whether those targets set there were contractual or whether they were best efforts and I suspect that the words that the ESBI thought that those were best efforts. If we want to talk about the losses - the losses in GPL are high and we look at two types of losses or we break it two areas:

The *technical losses* which have to do with the equipment and the cables with transformers and so on and we have a situation where we have a fifty/sixty conversion. So the technical losses are remedied with mainly with investments. Over the years, I have seen investment figures run over US\$100 millions to over US \$200 million. You would know that we have been expending in the GEC beforehand has been short of capital situation from maybe the early 1970s; much of the extension done then was done with materials available at hand and not to the standards that one would have done if he was constrained by the availability of financing. Also there has been expansion taking place so that in many of the transmission and the distribution circuits, I have been told that the loading may be twice as much as one would normally accept. We need to have much of our T and D strengthened, beefed up. Also we need to introduce sub-stations and so on. There is much development work that needs to be done to our grid. It has been constrained by available monies.

I recall former CEO, Mr Robin Singh was saying at one time when people were complaining about low voltage in a certain area and he was saying to me that he

had gone out himself to look at it and he was really surprised at the low standards which existed there. What he meant really is that the size of the transformers and cables there were way below what were needed, but this is what they had at the time and those were the circumstances. So there is a significant amount of capital investment required to reduce technical losses. Much of that programme is on stream now. We have been doing steadily as much as we could do and we hope to do significantly more in the next three to five years.

One must bear in mind too that as you bring in the capital, it has to be amortised so there is a cost implication right away on the cost of the electricity. So that is on one side.

The other side, where there is a big amount of loss more that it should be has to do with what is called *commercials losses* of electricity and comrades, we must face up to the facts so that we could attend to it and if we are attending to it, there has been an extensive cultured feeling that maybe electricity needs to be supplied at no charge by the Government to poor people - people who are poor at least when it comes to paying their electricity bills, but as one of my colleagues say, we pay all the bills; I mean we pay the price for televisions or whatever else we have, but we feel that electricity should be supplied at affordable rates that we can comfortably pay, but the Electricity Company always has to pay bills. So we have had a culture of feeling that electricity theft is not really a big thing.

The Chairman: On a culture of thieving ...

Hon Samuel AA Hinds: Well, I would not say that because those people do not steal other things, but electricity, there is a feeling that is so.

So when we talk about thirty-three percent of commercial losses, it means almost one in three of our customers are into something ... It covers a whole range of things/situations; many of them may include, I might not hesitate to say, members or employees at the time or previous employees of the Electricity Utility who have been involved in a lot of scams and so on. There have been a lot of things with factors on meters and things like that. I would like you to know that we are getting a handle on it and over the last year we have been seeing reductions in the losses. We are now seeing significant reductions in the losses.

The Chairman: Thank you Prime Minister. However if I may be so bold, in 1999 when the contract with the Company forming GPL, notwithstanding the strategic partner not being there anymore, the Company still continued to operate as if it were a Private Company, without GPL.

Hon Samuel AA Hinds: Yes.

The Chairman: It did not revert back to being GEC. At the year one Sir on the agreement that they signed with the strategic partner, it was agreed that the commercial losses was twenty percent and the technical losses was fourteen percent, which Sir, is a total of thirty-four percent.

Recently Mr Dindyal is recorded in the Newspapers of this Country saying that the commercial losses are now 22.6 percent and the technical losses are now 11.4 percent. In other words, in nine operating years, notwithstanding numerous excuses and promises the losses are still thirty-four percent. Again Sir, let me direct your attention to the PUC citing... [Interruption]

Hon Samuel AA Hinds: I would like to answer that specifically.

The Chairman: Yes Sir, please do.

Hon Samuel AA Hinds: Yes, you have read there that losses were thirty-four percent.

The Chairman: Yes Sir.

Hon Samuel AA Hinds: No one knows how much it was, it could have been forty plus percent, because in the preceding years, honest attempts were made to reduce losses. At that time it took a lot of data and a lot of averaging to get those numbers. It was believed in those preceding years that the losses were coming down and the books were written to show losses coming down. In fact losses were not really coming down. When you think about it, to get accurate figures of losses is a fairly demanding thing and was more demanding then, we are better placed today to get a better fix on losses. *[Pause]*

So that that thirty-four percent I know was not an accurate figure, it was a figure that was agreed to be put at that time; it may well have been forty or more at that time.

The Chairman: Right, I understand that.

Hon Samuel AA Hinds: It may well have been forty or more as it is and you may say we did not want to look too bad in front of these people who are coming here this morning.

Mr Khemraj Ramjattan: Can we now accept the present figures being given?

Hon Samuel AA Hinds: Yes, I think you can accept the present figures, because the present figures include a group, an independent group, the EPA group out of the UK. They are an independent Auditor checking on the present figures that are being presented.

The Chairman: Thank you. However, the division between the two, the commercial and the technical losses; they can be some confusion as to which is which. However, even when GEC was operating, they knew that they were generating X amount of power and they were only getting paid for Y amount. Therefore, if at that time they said that they were generating X amount of power and they were only getting paid for Y and that was only thirty-four percent, I think we can reasonably assume that that is an accurate figure in terms of losses - the division between commercial and technical...

Hon Samuel AA Hinds: No Sir...

The Chairman: ... could be a matter of some discussion.

Hon Samuel AA Hinds: I disagree with you, Sir. I disagree with you, because if you go through the accounts there are lots of other things. There is generation; and then there is metering and billing; and then there is collection, too, so that they all go through in the line there. Basically what happened in those particular circumstances which I referred to, collections rose, ballooned even is the word, but I think if you want to discuss this issue in greater detail, I think we would need much more specific discussion and maybe people who are more specific with it, but I do not really readily accept your position; there are other elements involved. There are issues of collections and so on.

The Chairman: Not to interrupt you, it is not my position, it is an observation and I think it is a legitimate observation. There is one other thing before I open further to them. When the PUC decided; they handed down the decision on 23 July 2003, on Page 32 of their Report, in the last paragraph of that page, it says this is an answer to your thing that money has not been available to do the necessary things to fix the losses and other problems.

Despite these, however, we are not satisfied that GPL did not have the funds or the facilities to invest in reducing the losses for which Consumers suffer on account of the utility not providing efficient and reasonable service and to achieve what they had promised.

Prime Minister there is only one other thing, because I do not want to dominate.

Hon Samuel AA Hinds: I accept that as an honest position of the Members of the PUC.

The Chairman: Thank you,

Hon Samuel AA Hinds: As their honest opinion

The Chairman: There is one last thing I would say until I recognise Mr Murray and then Ms Teixeira.

First of all, the Skeldon / Hope generation, which you said that I have some experience with...

Hon Samuel AA Hinds: Yes.

The Chairman: Prime Minister, I have worked with sugar for thirty to forty years. In fact, I was working with sugar from the day I was born. The fact of the matter is, I am not aware of any Sugar Estate that has generated and accumulated enough bagasse to run an electrical generator, to supply the Senior Staff Compound or at any out-of-crop period for the whole stock. This business of generating surplus electricity by hanging huge amounts of bagasse in a logie is really for myself and other members of the Sugar Community ... it is a highly theoretical situation and only occurs when the factory grinds one hundred percent of the time available for it to grind. At the end of 2007, Prime Minister,

no Sugar Estate in this country, none ground for seventy-five percent of the total time available. It was out of cane or broken down. Skeldon Estate for example, which of course is being expanded, only ground for sixty-three percent of the time available to it, so it spent thirty-seven percent of its time standing idling out . Every time you stop the factory and you start it back, you got to use bagasse in huge amounts. So depending on bagasse to power the grid, depends very much on the availability of the cane on a continuous basis, for 160 hours a week; because a factory will do maintenance for eight hours a week, but it will grind for 160 hours and you have to grind one hundred percent, or else you will end up with an empty logie and you are going to have to go and buy a quarter pound more.

That is right; I myself have done it numerous times, so I know about this.

Hon Samuel AA Hinds: Yes Sir, I thank you there for giving your experience and it shows maybe why switching to bagasse is not just an obvious thing to do, because of all of those that you pointed out, the need for continuity in the grinding, so that you avoid the shut down and start up situations and so on. Yes, that is very much so.

Where the new designs are really hung on is on raising the pressure of the boilers from previously as being 180 psi, I do not know what numbers you have experienced, but maybe 180 psi was a fairly common kind of level and they are now up to... I think they are in the order of 700 psi now or a bit above. When you raise the pressure of the boilers and the steam coming out, you get powered out proportionately maybe to the pressure so that for the same pound of bagasse at 700 plus psi, you may be able to get two to three times the power you got at the lower pressure boilers.

Now you still have issues and you were quite right about maintaining continuity in the supply of the feed, boilers and such things have long times - twelve hours/twenty four hours to move from done to up and stable and so on.

So yes, that is an important issue, the continuity of supply and the issue of what to do in between crops. This have been a big issue and I have been hearing at different times, different approaches to the matter, because if you are supplying power, say to the grid or to anybody, upgrade your crop. Then when it is out of crop you are not supplying power at least they would had to been diesel engines or HFO engines to take up the supply of power that would be needed still, even though there is not a crop being processed

So one have to put in place additional investments with the additional cost that are involved, but am I glad a least we have here a taste of all of the complications involved in these issues.

The Chairman: Thank you, Sir,

Would you be aware of how many factories would be retrofitted with this new type of high pressure boiler?

Mr Khemraj Ramjattan: Mr Chairman, please, I do not know how many questions you will be asking. There are lots of people here who would like to ask questions also.

The Chairman: To my own recollection, is it not a legitimate question?

Mr Khemraj Ramjattan: What is happening here?

The Chairman: But isn't that a legitimate question?

Mr Khemraj Ramjattan: It might be, I did not hear it, I was not coming to that. I did not hear your completed question, but you said that your final question ...

[Interruption]

The Chairman: I am clarifying a point for the Committee. The Prime Minister said the factories have now been retrofitted with a higher pressure boiler and I was asking if the Prime Minister knew how many ...?

Mr Khemraj Ramjattan: And you rest assured that after that retrofitting you will get another retrofitting ...

The Chairman: No, no, no, we do not have to tell the Prime Minister this. I am just asking the Prime Minister how many of the factories? Is it possible to say?

Hon Samuel AA Hinds: As far as I know at this time, it has only been done in Skeldon. I know from time to time there has been discussion about doing similarly in other factories, but I do not know if there is a commitment as yet, but there are discussions and there are papers on this matter.

The Chairman: Prime Minister, I recognise Ms Teixeira as the next person. Mr Murray was before.

Mr Winston S Murray: I just have one question - after her.

Ms Gail Teixeira: Mr Prime Minister, I welcome you to this meeting again. Mr Chairman we tabled ... we spend a lot of time in the Committee agreeing to the kind of questions we would pose to you and they are A to Q. You have answered all of them in a written form. My concern is that from the point of view of the Committee, we have just received those and for the record keeping, these need to be written into all the answers of the written submission, and it

needs to be included in the verbatim record, because you have answered us in your way.

In the specific areas, in the beginning, we need to ensure that the questions we have asked as a Committee, are the areas of concern we have, and they have been answered, and whether we wish to ask any subsidiary questions, before we go into too many other questions, which we did not at least focus on at that time of preparing these.

I would like to ask some subsidiary questions in relation to B and one of the alternative ... because Prime Minister you are here, you are not the technical person for GPL, there are members of the Board, the Chairman of the Board of GPL is here, the CEO and I think the technical questions should be asked of those persons, but you are the policy maker and I would like to restrict my questions or subsidiary questions to you in relation to policy.

I think the question of the Skeldon modernisation is part of a number of questions we are preparing to invite the Minister of Agriculture and GUYSSUCO to come to this Committee in relation to the sugar sector. So I would like to ask the Chairman that we should not divert into Skeldon with details such as what we just asked you. I do not think that it is a fair question to you to answer issues of how many machines and stuff like that.

But I would like to ask in relation to B which has to do with policy and the issue of proposing meeting projected needs, hydro, wind, solar and ethanol, in relation to what is happening globally, and the whole debate that is going on now, in Rome with the top world leaders in relation to the Food crisis; the whole debate is about ethanol production and the impact on food supply particularly what is used in some parts of the world, such as corn.

In Guyana and Brazil, these are countries, I think, are using sugar, you have given a date of 2012 for hydro. Could you give a little more information in terms of what would be the kind of challenges Guyana would have to face in bringing in hydropower both in terms of economics, politics, controversies, et cetera, and also the possibility for solar as there are companies now selling solar units in Guyana. Is that a potential that needs to be expanded in our context and what impact would that have on the ordinary consumers to be able to reduce the cost of the spiralling fuel prices, which for the next three years do not particularly look as if they are going to come down in any way?

The Chairman: Prime Minister before you answer, may I just correct one error in Ms Teixeira's submission? Prime Minister; it was you who said that the Skeldon Modernisation Project was going to put some power into the grid, you even stated that it is expected to put ten megawatts and therefore by questioning you with that inconsistent with how you will generate that power, I do not see the irrelevance of my question and I would really like to ask Ms Teixeira not to accuse of things that I am not actually guilty of.

Hon Samuel AA Hinds: On hydro on Amalia, Guyana for a long time looked towards getting hydro into the system. The problem has been that the sites are far inland and so there is the additional issue of transmission out. We have been pursuing or let me say that the promoter of developing Amalia was one of six sites that was thought to be of likely to be developed in Guyana maybe since the 1970s, but the promoter of it has been pursuing it since 1996, and maybe in 2001/2002/2003, I cannot remember the exact time, now he has brought it more or less to the point of going forward, but at that time, it was not economic versus oil. Indeed the cash flows to pay for the investment were somewhat more significant, at least maybe in the first fifteen years or so than the cash flow

buying the equivalent oil at the same price. It could not go then. If I and all of us in Guyana have the ability to see the future, we would have given the go ahead then, but we could not give the go ahead then; it was not economic then.

Roughly, then it was about \$200 million estimated for the hydro station itself - the dam and the power house and it was \$150 million for the transmission line down to Sophia. So you see there are two aspects there.

Now I could also tell you that was US \$200 million for 100 megawatts and many people would try to get their hydro station cost lower than \$2 million per megawatt, get it down to one and a quarter and so on.

The issue here is that the topography/geography of our terrain is not that easy to facilitate hydro stations, so it costs maybe a little higher stations that were developed before it. The unit cost for the hydro power station itself is higher in Guyana than other stations that were previously developed elsewhere in the world and the distance is an issue.

We also have a third issue in that our demand in our grid has doubled maybe in the last dozen years or so from maybe forty megawatts to eighty megawatts or so. So if you have 100 megawatt unit, you have an issue of excess power at least for the first couple of years, so that is another issue to think about and to fit in somehow that maybe for the first years, there may be more power generated.

The other thing is if people do not happen to talk with GPL and the people in GPL does not grasp easily is that around the day - twenty-four hours - you have peaks maybe between seven and ten and then you have lows in the thing. So that you have maybe two to one between your peak demand and your low demand so you have to have variations in your supply so that some part of the day, you

may take eighty megawatts at peak, but I do not know what we are down to at low; it might be fifty megawatts to call a number.

So a lot of things have to be accommodated in there, but I think at this time, I am very hopeful that all of these pieces will come together in a way that could make Amaila happen and make it happen for the benefit of the people of Guyana and GPL.

I would say that I did notice a letter in the newspaper in December, which the gist was, yes, get the hydro, but do not make an arrangement with them - a price that is related to the current high prices of oil; get a price related to the cost of oil when it was \$30 per barrel. Well, I would say that \$30 per barrel would not happen. There would not be enough money to make the hydro worthwhile. So that is where we are on hydro.

For the records and just as we speak about hydro, there is a number of other potential hydro developments being pursued. There is interest in developing Upper Mazaruni again; there is interest in developing Turtruba, but these are not for the grid as such. These would be aimed at industrial units that would take the power and they are aimed at export to Brazil and maybe Trinidad and Tobago.

On the issue of solar that my colleague and Member Ms Gail Teixeira referred to, solar is being utilised in Guyana mainly in the form of photo voltaic, but initially our programme was aimed mainly at health-posts and so on to run refrigerating equipment to keep drugs in the right temperatures and that sort of thing. But in our hinterland electrification programme, we have four villages and I think we nearly completed the electrification of four villages with solar home systems, which includes a collector, a panel of about 100 watts and provide three bulbs

and maybe a point in each of the homes. I think they have been doing 315 homes in these four pilot places. I must say that this first pilot work is coming out pretty costly. It is done as a component in a Programme we have with the IDB and it is coming out pretty costly at about \$300,000 per household, which is quite a bit, but our expectation is that in time and without maybe all the strictures of doing things in these programmes the price maybe could be half or even better. So that is how solar is being used and there is a pilot on. We expect to see that more and more individuals even on their own would utilise systems that are made available commercially, solar systems for electricity.

In the case of wind, I am not aware of any significant projects at this time for electricity. We do have within the hinterland component also a wind component, but on review, we are holding to put up some small wind generators and we are holding to develop wind data.

On the other hand, the cost of these small wind generators was judged to be very excessive. So we said first of all develop some wind data so that if we put in this costly wind generator, this is for these demonstration projects related to hinterland villages. If we put in a generator at least we should be comfortable that the wind would be there or we know about the wind there, how strong it is and in which months of the year, there may be enough wind and in which months of the year there may be not enough wind. So that has been held while we get data. So that has been about wind, hydro and solar.

I would say too that in the hinterland programme we have addressing the use of biomass - wood. Some may recall, the old people may know that the old Kingston A Station maybe in 1950 or earlier burnt wood coming up from the Demerara River to raise steam. We have had some other approaches. Some may

know that New Amsterdam up to 1980 ran on wood gassifiers and at Mahdia BG Consolidated also initially ran on wood gassifiers producing electricity and there are still the remnants of that installation there. So we reviewed using wood. I am asked particularly for the hinterland villages, but such equipment fell out of use and production maybe by 1930s or 1940s. It does appear though that that kind of technology is being re-worked today and maybe over in the last week only, I have seen some information about biomass gassifying 400 KVA generating sets. So that is with respect to biomass, which one may think it is abundant and at hand in the hinterland areas.

On the question of biofuels and ethanol, we have been reviewing this issue quite a lot. It is not directed to electricity of such, but it could be significant for energy generally, particularly for mobile equipment vehicles. Or let me step back, biofuel may be significant for the small hinterland villages. Again, we do not find the necessary equipment for that size, but we will continue to keep looking for equipment for that size to use biofuels in the hinterland, but I think on the Coastland here, I do not see biofuels, ethanol and bio diesels being used in a significant way for electricity generation on the coast, but they may have a role for use in vehicles and there is also the potential for export - a significant export commodity.

The Chairman: Thank you Prime Minister.

The Chair recognises Mr Danny

Mr Dave Danny: Mr Prime Minister, it is claimed that the practice of scam is one of the areas of loss at GPL. Can you say whether you have eliminated this practice at GPL, because you now have good staff?

Hon Samuel AA Hinds: I would say that we are working at it; I would say that there may be, but let me give an example, there is a new customer information system coming in which includes hardware and software and will include many, many more checks and reconciliations maybe daily, so that the kind of scams we think might have been practised in the past, collusions and so on, we would hope that those things would be much more difficult and hopefully much less going into the future.

Mr Dave Danny: Just a follow-up question, could you say if there is anything in place to monitor the situation? Because based on my experience, I live in Guyana and I do not believe hardware if taken into someone's home and there is a deal, I do not see how hardware and software will deal with that. Is there anything in place, I mean physical like an area where you have an office that monitor someone in charge, internal security or something?

Hon Samuel AA Hinds: Well, first of all, I would hope that all of use here and we use the opportunity with the media being present, would impress on our fellow citizens that there is no good in participating in these things. There is no good and I want all of us to become advocates, not only supporters, but advocates of an end to electricity theft. I want that and I think that that is the most important thing to deal with the kind of issues that you are raising there where maybe an unlawful GPL employee may seek to make a deal with a customer, who is so inclined. But I would say that there are other things happening, maybe I should not speak the total, but say for example, one of things I have heard discussed, I do not know about it; one may try to develop his network, so that he has a meter on his network at some point and he does checks on the individual meters coming of and try to do reconciliations in the areas; maybe even reconciliation off a transformer with ten to forty customers. All of

this adds to cost so that the price we all pay for allowing ... it is a pretty high policing cost. So I would like us all to get out there and advocate that we should bring an end.

Mr Dave Danny: May I ask a follow-up question; do you thing think that the polygraph test would help?

Hon Samuel AA Hinds: I have not thought about it.

The Chairman: Prime Minister, before I pass the mike to Mr Irfaan Ali, could I just make an observation based on what was just said. By a recent release by the Chairman of GPL, faulty meters are by far the biggest amount. In fact, if I remember correctly and it is here in this article, the Chairman of Guyana Power and Light Mr Brassington informed the nation that his fuel Bill

this year will probably be \$24 billion. Now, if you calculate that as at thirty-four percent loss, which is what was stated very clearly that that is the loss; then we are talking about a very substantial amount of nearly \$10 billion. However, Mr Brassington himself said that the theft is \$2 billion, so out of \$10 billion only \$2 billion is actually theft, the rest are faulty meters, lines with problems and so on, so the theft is there. There is no denying, it is there. I am not quite sure how you are going to remove it, but I am saying that it does not account for the substantial part of what is being lost and what other consumers have to pay to block up the holes

I recognise Mr Infaan Ali. Mr Ramjattan, do you want to same something?

Mr Khemraj Ramjattan: No, no, let him go ahead.

The Chairman: Mr Irfaan Ali and then Mr Ramjattan.

Mr Mohamed Irfaan Ali: Prime Minister, I am very happy that you are here and I have three questions dealing specifically with the policy level, but before I do so, I want to make a comment on the issue raised about the GUYSUCO factories - just an over-riding comment that part of Government is to have specialisation in these factories. You will know now that they are looking at the Enmore Factory for repackaging, so the question of having all of them fitted for electricity supply is a different issue.

However, in terms of alternative energy, you mentioned that the cost of production now would not necessarily bring down the cost of electricity. However, what it would do is that it would spread the risk in terms of our dependency on fuel and the impact of international market on our small economy. My question is this gives rise to our investors going into alternative fuel and you are talking about self-generation, what incentives are there for our investors and our consumers and the population as a whole? What incentives are in place to assist them or to induce them towards going into self-generation and alternative energy? That is my first question.

My second question is in terms of the high risk areas for non-technical loss. There was one suggestion of prepaid meters, what is the progress of that? Are we still looking towards that direction?

For our farmers, if there is any special scheme now that we are expanding agriculture - the GROW MORE CAMPAIGN - especially in the hinterland and rural areas? Is there any special scheme to give added incentive to these farmers in the developing alternative energy in the form of solar energy maybe wind power and so on?

Finally, is there a specific target in terms of the hydro-power production for the manufacturing and industrial sector? For example, is there a specific policy geared towards developing it in a particular region, because of the potential in expanding manufacturing and industrial developments?

Hon Samuel AA Hinds: I see one question here that I will ask the CEO to answer.

On the question of self-generation and alternative energy, let me say that when we wrote the new ESRA, we enshrined in it the right to self-generate. I do not think that people had that right before in law, but now there is a right in law that anyone can choose to self-generate. GPL only has a monopoly of selling to the public, but everyone has a right to self-generate.

We support alternative energy generally by waivers and incentives in terms of taxes for equipment that may be brought in. There is waiver of taxes; there is that incentive.

The Chairman: Because I am so interested in that statement, is there entrenched in our laws the fact that if you bring in (let us say) a wind turbine ... I have seen last night a twenty kilowatt wind turbine which would cost US \$7,000; if I as an individual buy such a device and I am to bring it in, would I be subjected to duties, VAT and taxes?

Hon Samuel AA Hinds: I expect it would not be subject to duties. I am still learning myself how VAT applies. You know VAT is something that could be deducted later and so on if you are in business, but I must admit, I want to get those things very clear. I have not gotten enough examples just yet. It is something that I am looking to, maybe even participating in making very specific

policy on, but we have a general principle that we are encouraging alternative energy; everyone has the right to self generate. We generally do not support generation just to come off the grid kind of thing. We do not support that when that is the only issue to come off the grid, but it is sometimes a difficult line to draw, for example most businesses would include generation and self-generation within their development plans or retooling plans. Maybe I need to get some more specifics and I will follow up on the example you put if you give me the addresses on the thing on this particular company, so I could consider it.

The Chairman: Actually I am wondering whether the government would be prepared to formulate laws protecting people who want to bring in hot water units for the top of their roofs and photo voltaic cells to generate some life.

Hon Samuel AA Hinds: I will make a note of it and see whether we need to have the ... *[Interruption]*

The Chairman: As far as the other matter is concerned PM, when the Aswan High Dam was first built, it used to provide about seventy-three percent of the total electricity for Egypt, now only nineteen percent. So people find a way of dealing with electricity for manufacturing and for commerce. So do not be afraid that you are going to have slack periods when you build you 100 megawatts, people will find a way to use it.

Hon Samuel AA Hinds: Okay, I am glad about that.

The Chairman: Mr Ramjattan ...

Hon Samuel AA Hinds: I am still going through the other questions.

The Chairman: I am so sorry ...

Hon Samuel AA Hinds: More response on generation. You asked if there are any special scheme for farmers - alternate energy solar - I would say that I do not think that farmers had any particular advantage with respect to solar, but I will think about it, but what farmers may have is, I gave that information of the type of equipment that came to my attention in the last two weeks. At least there is that one manufacturer, who seems to be in serial production, producing units from 400 KVA to two megawatts that is aimed at rice husk, paddy shells, straws, things like that and various things. So that is something that I am starting to pursue to see if it would deliver as it says that it would deliver in Guyana. So I think that is one of the issues for farmers.

On hydro, we were having a specific target ... what was it again?

Mr Mohamed Irfaan Ali: ... whether there is a specific target in terms of the hydro-power production for the manufacturing and industrial sector?

Hon Samuel AA Hinds: I cannot say that we are targeting any specific region. We would take advantage of what comes. There would be some thirty or more megawatts that might be available and yes, we hope that people would be encouraged to do some industry that would take it.

Let me say here, you talk about manufacturing and electricity prices for manufacturing and there is an issue here that our system of pricing traditional does the social work of redistributing cost or something. There is a subsidy transfer pricing between the different categories and generally the traditional system charges industrials maybe twice what is the cost of delivery electricity to them and it charges households maybe half of what is the cost of delivering electricity to them. This is an issue you might see termed rebalancing of tariffs. Yes, industries are calling for electricity supply to them at lower rates more or

less matching their cost of generation. So we would have to develop a new category of customer, who has maybe almost an individual contract. Hitherto we do not have that category as yet, but it has been seen that at some time we may have ... for example if someone decides to take two, three, four megawatts of electricity, we would probably look towards having almost a special contract with such a person and there is a number of things that would be involved and I would say that generally that such a contract would have to be approved by the PUC, but this is an issue there.

Let me ask CEO to speak to the issue of high risk areas and prepaid meters.

Mr Bharat Dindyal: First, let me obviously offer some security in areas where you have a propensity of electricity theft. We are expecting in the last quarter of this year to introduce about 2,000 and we have selected some target areas where we are having difficulty in reading meters, where there is some risk to our staff to do disconnection/reconnection. We are considering those areas as a second phase, but in the first phase there is a number of issues which we have to address, infrastructure issues, connectivity and a host of other matters and so we are choosing some areas which meet certain parameters and are not necessarily high risk at this time. But those areas will obviously become candidates very early in the programme.

The Chairman: I still would like to reiterate my position that theft is a problem, but theft is not the major problem, faulty meters and losses in the line, those are the problems that is contributing to your major thing, because of \$24 billion fuel only \$2 billion will be lost as a result of theft, but nearly \$8 billion will be lost as a result of the other losses. So let us not concentrate so much on the theft. I have a man working in my yard and he is a poor fellow and he is a cane cutter at Wales,

but in the out-of-crop he comes by my yard to weed and so on. He came to me with a light bill for \$8,000. This man lives in Good Fortuin and has two lights in his house and his light bill is \$8,000 and people are punishing out there and we have to address these problems. We cannot, as an ongoing and monotonous thing, keep promising things that have not happened, because by now according to the GPL contract, the losses should have been eight percent.

Mr Bharat Dindyal: If I could respond to that Mr Chairman, the total losses is about 33.2 percent and this is at the end of April this year. Our technical losses and this is based on the model of our system, is just about eleven percent. There are three components of the losses which are extremely high;

- (i) Technical losses which is about 11.4 percent. The same consultant who did that model indicated that for a system with the characteristics of GPL, a target rate for technical losses would be about nine percent - a good target. We are aiming for that and if you read the development and expansion programme, we are talking about US \$40 million investment in transmission and distribution. So we are looking at pretty close to almost five percent reduction in technical losses.

There are two other areas ... *[Interruption]*

Hon Samuel AA Hinds: And it comes with a US \$40 million and if you put ten/twelve percent on that that adds to the revenue that is required too.

Mr Bharat Dindyal: And if you look at the Development and Expansion Programme, which we have also shared, there is a summary of the capital

investment programme and in there you could see the investments of non-technical and technical loss reduction.

There are two larger elements of non-technical losses:

- (i) Electricity theft; and
- (ii) Defective meters.

And they are about the same. In fact when the assessment was done for figures at the end of 2005 both were over eleven percent. We have made some progress particularly in 2006 and 2007; we have actually been able to bring down overall losses by pretty close to seven percent. So we have made some significant progress in those two areas.

The Chairman: That is not evident by the facts. The facts are that at the beginning of the GPL Company ... *[Interruption]*

Mr Khemraj Ramjattan: My light is on Mr Chairman.

The Chairman: ... the total loss was about thirty-four percent and now it is thirty-three percent and I cannot see how it has gone down by seven percent.

Mr Bharat Dindyal: Mr Chairman, like Prime Minister was trying to explain, when the transaction was consummated, there were figures available from GEC at that time. In the transaction the investors specifically said we have to validate those figures. We are taking them and putting them in the agreement and we are setting targets based on those numbers, but we have to validate them. And I think largely that is one of the reasons that informed the best efforts approach.

The Chairman: Thank you.

Mr Ramjattan: ...

Mr Khemraj Ramjattan: Thank you very much. Thanks for being here for answers to some questions that were put. I have some follow-up questions in view of your answers to question (N)

Is there any policy shift contemplated which would allow the PUC to regulate rates of electricity on behalf of the nation?

Before I ask the question, I want to make a short comment. It does appear that the PUC seems to be the overriding authority when it is the private investor. Now that government has retaken back GPL and has it under control, it would appear that what was contractual now terms as best efforts. I want to understand this quite clearly in view of the fact that we do have the Act and this is my first question, before I ask the second, could the first one be answered?

What specifically is the PUC's role in the regulation of rate determination?

And Mr Chairman, I could follow up with that depending on the answer.

Hon Samuel AA Hinds: The PUC's role in the regulation of rates determination; let me say that the PUC is required and has often said that it is there to manage for the sustainability of the Utility - GPL in this instance and also to see that customers get fair prices; prices that do not include excessive profits or do not include or allow for inefficient operations. So that is what the PUC is required to do and the PUC has said so from time to time.

The Agreement at the Privatisation, some one of the documents has in it the calculation or the procedures to calculate the monies that the Utility should receive for a particular year based on performances up to that time and it does take account of the asset value - the total or waited cost of capital and so on. I

think it is formulation which accountants and the people in those businesses seem to have accepted and I as Minister and the Government have accepted that formulation, and that formulation has always been open to criticisms. But there was a formulation or procedure put down to determine the monies that the Utility should receive and following that with that formulation the law has or the particular Agreement has in it that by the end of January or some time, GPL will have a calculation made. There is an external accountant who looks at all the information and he does a calculation and then that calculation is presented to the PUC, and out of that calculation comes the price or at least a base price for the year. So that is how it is done

Mr Khemraj Ramjattan: Yes, but isn't that in contravention of the Act if I may state, I have the licence here. I remember doing the case for Raymond Gaskin when it was SB and the Government was saying that PUC has a huge role to play that is why they formulated and established the PUC. It says under rates -
Section 12 of the Licence:

Subsequent to the implementation of the rebalancing...

... but subject to the approval of the Commission ...

not the approval of a consultant, accountant as you have it here in your answer, the calculation is in compliance with the prescription of the licence and the IFA issue a certificate of compliance. It is saying in the Licence with subject to the approval of the Commission and I want to know if you are not degutting the Commission of its powers now to deal with the regulation of electricity bills and giving some foreign consultant/accountants that... *[Interruption]*

Hon Samuel AA Hinds: I think most of them have been local - most of them who are doing the calculations have been local.

Mr Khemraj Ramjattan: Well I just thought I heard that the independent firm of accountants it is a foreign firm of accountants. In your answer to (n) what is IFA?

Mr Bharat Dindyal: Independent Firm of Accountants working for the PUC.

Mr Khemraj Ramjattan: It works for the PUC.

Mr Bharat Dindyal: Appointed by the PUC and works for the PUC.

Mr Khemraj Ramjattan: Well that brings a different context to it if you say it works for the PUC.

Mr Bharat Dindyal: They are actually working for the PUC so this is confirming what the GPL has submitted in the interim or final return certificate.

Mr Khemraj Ramjattan: Very well, if they do work for the PUC, I have to verify that. Now do this firm also deal with the question of the inefficiencies like line losses? When you do the computation based on the formula that you have and this is now the firm doing it for the PUC, is it taking into account whether the inefficiencies that you talk about Mr Prime Minister are taken into account or is it just analytical figures?

Hon Samuel AA Hinds: I would yield to people who know about this matter in more detail than I do.

Mr Winston Brassington: Good morning everyone! In fact, I just stepping back and placing this in context. When the new ESRA and PUC Act came out in 1999, there were three major regulatory areas that were defined in the Act:

- The issue of tariffs;

- The issue of compliance with the development and expansion plan more or less a capital programme; and then there is (what is called) -
- The Technical and Customer Service Standards.

Each was treated separately from a regulatory perspective. The rate making mechanism follows the model of what we call the rate of return methodology. There are two major methodology used in determining tariff on electric utility. You have the price-capped system which is in England and then there is the rate of return methodology which is in America that methodology is what is enshrined in the licence in the ESRA and that is what we follow. It is separate from the performance under the development and expansion plan; it is separate from the technical and cosmic service standards, which is why in 2002 you had that separate ruling by the PUC against the Utility for \$1.3 billion, which was based on its non-compliance of the performance targets. It is separate from tariffs.

Now the process for the tariffs is basically one whereby once the independence firm of accountants and the current firm that is doing that which I believe is appointed with permission of the PUC is Nizam Ali and Company previously KPMG and that firm reviews the audited accounts and reviews the calculation of procedure which is set out in detail in the licence and issues based on their review either a certificate of compliance or a certificate of non-compliance.

11:30H

[Mr Winston Murray returns]

A certificate of compliance would basically means that the tariff calculation have been calculated strictly in accordance with the mechanism set out in the licence - the formula and principles and so on and it is based on the audited accounts. If there is a certificate of non-compliance, they would say what it complies save and except for a, b, c.

Once you have a certificate of compliance, PUC is expected to basically pronounce on those calculations and they are accepted. If there is non-compliance then you have to face the jurisdiction and this issue is a very important issue at the time of privatisation, because it came against the backdrop of investors being confident of being able to obtain a greater return and not simply having that system left to the discretion of a regulatory body. They wanted to enshrine in our agreement a fairly articulated set of principles, formula that once they did a, b, c, d - once they did that, the tariffs that the required would be allowed. So the PUC does have the final say.

Now in a current context, we are not implementing what we are allowed to implement under the licence. We have been implementing substantially below what we are entitled to do. In addition to that two years ago, the Government took a policy decision that rather than using a rate of return on equity of twenty-three percent as was allowed under the management time of the EFBI/CDC a reduced tax from twenty-three percent to eight percent. So that measure alone would substantially reduce how much is required as basically a rate of return and given its ... since we have taken back the company from CDC, there has been no additional powering. Okay, when they handed it back to us, there have been no additional borrowings so pretty much the majority of the assets of GPL are financed by equity. And even after you do all those calculations, we are not implementing the tariff that is allowed, we have been taking a much lower tariff

to disallow it to cover cash flows; we are losing money on an accrual basis. Our target this is simply to try to balance our cash flows.

So I hope I have answered your question and also giving you the position that we are doing much less - much lower rates - than we are entitled to charge under the licence.

One last note on what we can charge. There is also a provision on a quarterly basis for what is known as a fuel or foreign exchange surcharge. A year is usually too long when fuel prices or exchange rates are moving rapidly, so that mechanism was put into allow the Company to recover the fuel prices if moving up rapidly and similarly downwards. We have not implemented any of that in recent times; we have filed for the first quarter against last year's filings and that would be twenty-two percent, but we filed that simply for information and did not implement any changes. So that collectively would be all of the issues that speak to tariffs and the issue of performance is separate and is treated separately.

Mr Khemraj Ramjattan: Finally, let us treat it separately now that you have cleared the air that IFA is appointed by the PUC, because I was a little worried where the PUC now will have to suffer the consequences of having ... in view of the fact that they are. Now in relation to the inefficiency that is the performance targets, doesn't the PUC have authority to dig deep into probably what are the causes of that, because if as the Chairman is saying from all his experience that indeed that is the cause that probably could create ... and if it is lessened to the extent of (how much) billion we have now, if it could go down to four or so, it could then see a reduction of the tariffs, because if you perform better by seizing your losses, you are going to have some extra money for purposes of reducing the tariffs. Isn't that a function of the PUC?

Hon Samuel AA Hinds: I do not know about taking away from it. The answer to that question may require maybe a very detail and in depth study of all of the provisions, but let me just say that we have a balanced situation and one of the intent and the conceptualisation of the privatisation of GEC to GPL was to seek to bring together the interest of the investor and the interest of the consumer in that our intention was - and Cheddi's intention was to rapidly get to a position where the shares of GPL would be held widely by Guyanese. If he had his way he would probably share out all of the shares and give every Guyanese ten shares and maybe add that you could not sell it to anybody else, but to sell it to him or to GPL. He may have liked that. I want to stress this, because we have two things here that we are charged to to the extent that there is no money coming to invest in the electric utility, we are not going to get a good electricity today. And while Government as the sole owner now has been foregoing monies coming to it, it has been lagging in investments. That is why last year we get tightening in generation and issues like that. So it is not coming at no cost. Foregoing these monies is not coming at no cost, it is coming at a cost. Fortunately, we are using concessionary financing to bring these new generations and to do this T and D work, I think the programme may now be \$40 million of T and D work that we are looking at and we are hoping to get concessionary financing no more than six percent; two percent for the effectively or three percent which is very ... how much money you got in the bank? Are you willing to put in some money at three percent in GPL?

Mr Khemraj Ramjattan: If the losses would come down I am willing to put five percent.

Hon Samuel AA Hinds: You will put money, but we have this balance always to do and I would say yes, my colleagues have been saying the PUC has this role,

but like all of us they have roles within constraints. The people that we appoint to do the IFA have to be credible people. There must be some words there that they must be credible people and hopefully people who knows that they have some accounting licence and they know that their accounting licences are up if they are motivated by other considerations; if they say look this thing is coming out of at twenty percent increase, but Guyanese people cannot take more than two percent and therefore I will make it two percent, there is no freedom like that; that freedom does not exist; the freedom is constrained; they have to get a credible accountant and the accountant has to follow the procedure. If anyone wants, he can challenge the procedure and argue that the calculation method is wrong. They can argue that the calculation method is wrong, the procedure needs to be adjusted and that would be an issue that would come out.

The Chairman: Thank you Prime Minister. From the beginning of the contract it was clear that the setting of rates would be a matter that GPL can do on its own without having permission of the PUC. However, the PUC did rule ...

[Interruption]

Hon Samuel AA Hinds: I do not know if I should object to it or if it was said in the spirit of...

Mr Khemraj Ramjattan: ... jest.

The Chairman: It is a contentious issue. The setting of the rates should be the PUC. I just want to make two observations, which is that ESRA and PUC have ruled on two issues which GPL does not seem to have ignored:

- (i) Has to do with the estimated billings. I think the PUC had said that you cannot estimate for more than two months before you read the meter.

That apparently is not being done by GPL; they estimate for many months, sometimes for much as a year.

- (ii) The second thing that the PUC had ruled on and apparently the Power and Light Company is not paying cognisance to was that you cannot back bill a man. It was your fault if you did not read the man's meter, you cannot back bill for more than six months. However, the Company is pursuing a two-year period, which the PUC has actually ruled against.

With those very small inputs, the Chairman would recognise Mr Murray.

Hon Samuel AA Hinds: I think that there is a mix-up that may be better answered by Mr Dindyal.

Mr Bharat Dindyal: Article 6.4 of the standard terms and conditions and if you look at the response we have given, we refer to it. It allows the Company in cases where electricity is being stolen, the meter is being tampered with, and power is being diverted to build up to twenty-four months... *[Interruption]*

The Chairman: Who decides that?

Mr Bharat Dindyal: That in is in the standard terms and conditions. That is the law. That is the Third Schedule.

The Chairman: In the case of theft?

Mr Bharat Dindyal: In Paragraph 6.3 of the same document it says that where a customer reports a meter as defective and we find it to be defective, we can back bill for three months either positive or negative. You could adjust up or down and it is right there in that document. In the same Paragraph 6.3, it says where a

meter is found to be defective by the Company, the Company can back bill, but it will exercise that option reasonably.

The Chairman: Mr Dindiya, I have to say at the risk of being interpreted by anyone, we were taking at our Office in Georgetown 1,000 kilowatt hours per month.

Mr Bharat Dindyal: Are you sure about that?

The Chairman: Positive! We were being billed and we were paying and we kept paying. The Power and Light said that there was a diminishing amount and which is why they were prompted to come into the building and see and disconnect. The fact is after we went to court and we force them to reconnect, the power was 1,000 kilowatt per month. In other words, GPL published in the newspapers that Vieira thieving electricity - they labelled me, they published it in the newspaper, Vieira thieving electricity and when they put the new system in place we read and use exactly the same amount.

Mr Khemraj Ramjattan: You should now say that GPL is thieving electricity.

[Laughter]

The Chairman: The Chair recognises Mr Murray.

Mr Bharat Dindyal: I do not know if you will allow me to divulge the details of that.

Mr Khemraj Ramjattan: Please let us not get into that. *[Laughter]*

Mr Bharat Dindyal: If you want we could share the details, which are known to the Company.

Mr Khemraj Ramjattan: That would be part of the records, please.

The Chairman: The Chair recognises Mr Murray.

Mr Winston S Murray: I have to apologise in advance if I were to ask questions that you may have already dealt with, but given the Prime Minister's initial intervention, I had some questions I wanted to ask. I will frame my questions around that initial intervention. Let me also say that my attention has been drawn to the fact that there are very detailed answers to the questions we have asked. Unfortunately, since this has only been given to us at the meeting itself, the questions may be without the knowledge of the fact that there may be answers which have already been reflective of what the position is. I just want to go to the questions I had before I left this morning to ask whether I understood something Mr Brassington said just as I came in, whether I understood that to be correct.

I thought I heard him saying that current rates, which I think are consumer rates - under the current rates what you attempted to do is to recover only cash flow needs. Is that right?

Mr Winston Brassington: That is correct, Mr Murray.

Mr Winston S Murray: Then the follow-up question I want to ask, do the current rates meet cash flow needs - the current rates that you have as of today.

Mr Winston Brassington: Not today; not with the current fuel prices.

Mr Winston S Murray: So it would be reasonable to assume if that objective remains the same that in the foreseeable future -near future - there will be an increase in tariffs.

Mr Winston Brassington: When we dealt with this issue recently, I outlined four options.

Mr Winston S Murray: Mr Brassington, that is why I asked you up-front; you know you have gone down to four options. I asked you up-front very clearly and unequivocally whether the statement you made about meeting only cash flow needs was the basis for your pricing and you said yes. Now you are taking me down to four options. I heard those options...

Mr Winston Brassington: Okay

Mr Winston S Murray: ... and I ask you whether that remained the position and you said yes and I am now asking you on the basis of that whether your current rates cover cash flow needs and you said no and if the current rates do not cover cash flow needs then is it not reasonable to infer that there is in store in the near future an increase in rates.

Mr Winston Brassington: Unless the Government provide that funding to us.

Mr Winston S Murray: Well I do not want the *unless*. I am asking you on the straight cash flow needs basis, if you do not meet the cash flow ... GPL's position is that they need an increased rate.

Hon Samuel AA Hinds: You have said it, colleague.

Mr Winston S Murray: Not yet.

Hon Samuel AA Hinds: You have said it. You have said it. *[Laughter]* This is a serious matter.

Mr Winston S Murray: Very serious

Hon Samuel AA Hinds: Part of our encouragement and proposal to people and I think one of the four options is that we should all conserve more electricity and energy so that the pressures are reduced too. If we have conservation of energy and energy use, then maybe we may not need to get that way. For example, even one of the members here had sent me an article where you may recall in Brazil three four years ago, in South America there was a shortage of hydro electricity, because there has been a reduction in rainfall and therefore in Brazil you may recall that there was huge cuts in power initially and people learn to conserve. In fact, I think, at the end of exercise, people were utilising twenty percent less of the power they were using before. Now if we could have such a situation in Guyana, then the kind of support the Government manages may cover the gaps.

Mr Winston S Murray: That is a hoped-for situation, Prime Minister.

Hon Samuel AA Hinds: But I would like you to join me...

Mr Winston S Murray: No

Hon Samuel AA Hinds: ... to encourage people to reduce their demand.

Mr Winston S Murray: Which I accept has merit, but it is a hoped-for situation. I am dealing with what the existing situation is rather than the hoped-for one. What I understand to put the position in a complete way is that unless what Mr Brassington to have said just now is that the current consumers' rate would not cover current cashflow needs...

Hon Samuel AA Hinds: ... at this moment!

Mr Winston S Murray: Yes, Sir, I am talking as of now and if the objective is to meet current cash flow needs, for him to do that as a Corporation, he would have to increase rates, unless he added if Government puts in the difference between what they collect by current rates and what their cash flow needs are. Is the Government prepared to do that?

Hon Samuel AA Hinds: You know all the other things that happen. Maintenance is foregone, creditors may not been paid and so on. There is a whole host of things that happened in the management and one can also hope that oil prices may come down. There are some people who are still hoping that we may soon get back to \$80 to \$90 per barrel from \$130, I do not know what the latest price is.

Mr Khemraj Ramjattan: That was not the question; if the Government would meet the cash flow deficit. That was the question.

The Chairman: Honourable Prime Minister, I think the question is: is the Government preparing to do it?

Mr Winston S Murray: To meet the cash flow deficit; to subsidise it.

Hon Samuel AA Hinds: You gentlemen - all Members of Parliament have a role in it

Mr Winston S Murray: You mean I have to go into my pocket to subsidise it.

Hon Samuel AA Hinds: If I would believe that you would support it and support were cuts may be made to balance back the budget, then maybe the task is an easier task.

Mr Winston S Murray: Would you not agree, Prime Minister, that in any situation like this where prices keep rising the only way to deal with it (as you say) the Government is trapped for cash and maintenance suffers...

Hon Samuel AA Hinds: ... our Government - the Government of Guyana

Mr Winston S Murray: When I say the Government, do you think I am talking about the US Government, Sir?

Hon Samuel AA Hinds: I do not know.

Mr Winston S Murray: Please, do not get fractious.

Hon Samuel AA Hinds: It is important to stress it is our Government, the Government of Guyana

Mr Winston S Murray: You are getting fractious I am taking here in Guyana, in my reference to the Government. How could that be interpreted to mean a government other than the Government of Guyana?

Mr Khemraj Ramjattan: It means the government now.

Hon Samuel AA Hinds: You heard Mr Ramjattan.

Mr Winston S Murray: Sir, the only way conservation would be most effective is that prices have to be increased. Do you agree with that or not?

Hon Samuel AA Hinds: That is a position that is very strongly argued by many people.

Mr Winston S Murray: Do you agree with it, Mr Prime Minister? My question is very specific.

Hon Samuel AA Hinds: I am still weighing up the matters. I think in certain circumstances I would take that process and in other situations, I would do something different.

Mr Winston S Murray: Now, to my questions that came out of this morning, which had to do with the totality of electricity needs - power needs - into the future. I do not know, at any point in your subsequent intervention say what in the plans that you have what is the estimated needs given growth in demand and expansion in rural areas and so on as a result, what do you estimate (let us say) in the next five years? Can you give me that figure or can you give me one for the next ten years - the need for Guyana for electricity?

Hon Samuel AA Hinds: I have at Exhibit II and I think it is in rolling five-year development and expansion plan and it is in megawatt hours for GPL grid, well it has some historical 508,000 megawatt hours in 2006, 542, 550, 556, 579 - It is in a sheet here.

Mr Winston S Murray: Sir, you are giving me statistics to confuse me, Sir.

Hon Samuel AA Hinds: Exhibit II has those figures.

Mr Winston S Murray: What would the Government like to see the installed capacity in the public sector to be in the next five years -500 megawatts of power; 200 megawatts of power, Sir, in a layman's terms so that we can convey it to the public in a fair way today.

Hon Samuel AA Hinds: Table III (2) Page 19, what is the figure?

Mr Winston S Murray: Will you give us again?

Hon Samuel AA Hinds: It is in the book.

Mr Winston Brassington: It is the extension plan - Exhibit I

Mr Winston S Murray: But you should have that; not you Prime Minister, because you are the policy man, Mr Dindyal or Mr Brassington should have that at their finger tips. What are the power projections - 500 megawatts?

Hon Samuel AA Hinds: He is educating me. Peak demand 115 megawatts installed would be probably a bit more than that; 144 installed; 115 as peak we see in 2012.

Mr Winston S Murray: Okay, so we are talking about an installation having a total installed capacity of power over the next five years of approximately 144 megawatts of power.

Hon Samuel AA Hinds: It is pages 19 and 20 of this book (the DNE) talks to it.

Mr Winston S Murray: What is the current installed - functionally installed capacity?

Mr Bharat Dindyal: 131 megawatts.

Mr Winston S Murray: So you are merely thirteen megawatts away from what ideally you need.

Mr Bharat Dindyal: What we are doing, if you look at Pages 19, and 20 you will see a retirement programme. If you are retiring those diesel parts, et cetera, we cannot convert into full operation. So you will see a retirement programme here and you will see the inflow of hydro, in fact the wind farm, cogeneration from GUYSUCO and of course the hydro in 2012.

Mr Winston S Murray: So you have those set out.

Mr Bharat Dindyal: They are all here.

Mr Winston S Murray: That is what I wanted to get at.

Mr Bharat Dindyal: The tables are all here.

Mr Winston S Murray: I wanted to see what Skeldon was contributing; what wind was projected, so I can get that.

Mr Bharat Dindyal: And if you look at Exhibit II, Mr Murray, there is a single page document with the specific energy dispatch from each source, which is there and which is an addition to the DNE.

Mr Winston S Murray: And this is the DNE - that is this.

Mr Bharat Dindyal: So the DNE Pages 19 and 20 have the actual capacity of megawatts and if you look at the actual despatch from the various sources ... Exhibit II has that ...

Mr Winston S Murray: Alright, I think we should read these documents and then have a more informed discussion, because I really do not want to ask questions to which the answers are here, because my aim is really to illicit information so I am better informed and not in any way to embarrass you. So I will not ask any more questions in that regard. Okay, well then that deals with this. I will go through them and if I have questions, I will ask the Chairman whether we could have another meeting if needs be.

The Chairman: I recognise Mr Khan who has been trying to speak for a long time, but before I do, could I just refer Mr Dindyal to this Press Release where the GUYSUCO heavy fuel ten megawatt plant is not on the grid since 11 April, because of some technical problems, but on Thursday, 29 May, he said it will be

back next week. Is that now so? I understand the connection from Skeldon to the grid is not properly structured to carry the power. Is it fixed now?

Mr Bharat Dindyal: There is a number of things down there that I could enlighten you on. GUYSUCO has actually three machines. They one for five megawatt and two for 2½ megawatts; it is the 5 megawatt unit that is down. So we still have available from them up to five megawatts. The connection from GUYSUCO to GPL is via 13.8 kilovolt feeder. What we are doing in Berbice now is that we have to do an overall optimisation of the Berbice system. You probably would not know that we have sixty-nine KV transmission lines from Fifty-three Village to Canefield and from Canefield to Onverwagt. The problem in Berbice is how this system is configured and the fact that we have connected GUYSUCO through a 13.8 feeder, how do we optimise the dispatch from GUYSUCO without creating voltage problems in Central Corentyne and obviously ensure that that power gets down to Canefield and Onverwagt. So we have gone through a series of interventions. In fact, recently we installed some equipment to do voltage regulation and what we call power factor correction and we are able now to get up to nine megawatts from GUYSUCO.

The Chairman: Thank you Mr Dindyal. May I just ask you, the public, the media and I as a person in the media, wearing that hat, we have been asking if there has been established a proper contract of a power-purchase agreement between GPL and GUYSUCO. Has there been a contract? If there is a contract, could you say what the price is?

Mr Winston S Murray: He said no they are still negotiating.

Mr Winston Brassington: At the current time there is no power-purchase agreement; we an interim agreement which provides is to compensate

GUYSUCO during this interim period of arriving at a PPA at cash cost. Last year we did tender to GUYSUCO a power-purchase agreement and they indicated to us that they wanted to review and redraft that agreement substantially and that is why it is taking such a long time. So there is not a fixed price, there is an agreement that we will be reimbursed cash cost during the interim period leading up to the PPA and once we arrive at the PPA, there will be price provisions both for the bagasse and the heavy fuel oil.

Mr Khemraj Ramjattan: Is that the same position with Amalia Falls, is there a PPA with the hydro project at Amalia Falls?

Mr Winston Brassington: There will be a PPA with Amalia Falls before we conclude our arrangements. We do have draft PPAs that we have been exchanging with them.

The Chairman: So there isn't?

Mr Khemraj Ramjattan: As it stands there is no PPA.

Mr Winston S Murray: May I, while you look at that as a follow-up, because I am interested in the Skeldon co-generation, at the moment would it be accurate to say that Skeldon is ready to produce electricity via using the bagasse? Is it in a position to do so?

Mr Winston Brassington: No.

Mr Winston S Murray: So at the moment, it is generating through what means the traditional fossil fuel as it means?

Mr Winston Brassington: Yes, the heavy fuel oil.

Mr Winston S Murray: But whether it is through heavy fuel oil or begasse, the fact is the power that is going to be generated, it was always known and expected that it had to be integrated into the national grid system; and it was always known that we had sixty-nine KVA up there, why was it not possible to have dealt with these problems in an anticipatory way so that when the capacity was installed more utilisation could have been made to it? Mr Dindyal was saying that they are now sorting out these technical problems. I am saying that these would have been known and why were they not addressed earlier?

Mr Winston Brassington: Maybe let me work that back. It has been recently addressed. A few months ago, we announced that the Government through the budget this year is funding the sixty-nine KV line, which will be completed by the first quarter of next year. The reason why it was not resolved earlier, there was not any agreement on who is going to fund this. GPL with its limited resources trying to hold it off did not have the resources and the Government at that time did not have the money to provide to GPL and GUYSUCO itself was very tight with what it had.

Mr Winston S Murray: But Sir, may it not have been possible since these things could have been foreseen, I think you are conceding that in principle by your answer? If these things could have been foreseen, could they not possible be built into the arrangement that brought this project on stream and the money made available thereby increased since you must have known that there have been problems with the corporation itself or government financing ...

[Interruption]

The Chairman: In fairness, yes and actually the member was answering those questions, because you have not. Somebody did not plan for this thing and it is there ... *[Interruption]*

Hon Samuel AA Hinds: *Sucking granny while waiting for mammy to come.*
[Laughter]

The Chairman: It is something very much applicable ...

Mr Bharat Dindyal: I will offer some clarification and then Mr Murray ... We have always known that we needed transmission to despatch the power from Skeldon. In the initial discussion with GUYSUCO, we had actually agreed that the delivery point for the power would be at a suitable Sub-Station, but in GUYSUCO's original design for the factory they only had a five megawatt heavy fuel capacity and in our discussions with them we told them that if you are moving from ten 10MW to 5MW then GPL would have to maintain a significant capacity in Berbice for those short periods and so in those discussions on negotiations on a contract they actually increased their capacity from five to ten. We were still looking hopefully that they will find the money, but they eventually came in and said sorry, the money is not there for the transmission. So within the last two years, I would say that we have come to the realisation that they had to be funded otherwise.

The other question you had raised is whether or not we had contemplated these technical problems, because initially we were talking about transmission - interconnection. We now have to contend with distribution interconnection. It is a very complex business and we do not have the sophisticated software to model the system up there to fine tune the final solution. That being the case we are going through engineering steps. We are doing interventions; we are doing

measurements and we are looking at the system how it is actually behaving. We are doing that and we are continuously fine tuning it to get an optimal arrangement.

Hon Samuel AA Hinds: If I come back to the question of the two Corporations, it is a case where each of them short of money and secondly, each of them trying to get the better out of the other. I could say that easily from where I sit. GUYSUICO wants to make sure it gets enough money and GPL is only standing in for the electricity consumers of Guyana. They certainly do not want to subsidise sugar and similarly sugar does not want to subsidise electricity. So that has always been the case. You probably heard it in the 1980s, Mr Murray. I heard it in the 1980s and I was one hundred miles away from these high offices.

The Chairman: Mr Prime Minister, if I might be just allowed, because not to be seemed to be dominating, I yielded to other member. There is just one question I wanted to ask about Amalia, The agreement you had with Amalia, was it an agreement which was signed on 23 May 2006 by and between yourself and Synergy. That Agreement called for purchase and rehabilitation of twenty-five megawatts and it spoke to other things that had to do with certain timeframes based on that date in 2006. Is this the current Agreement you are using with Amalia or is there a new one? This one fell off the back of a truck when it was passing my house. I just happen to be at the side of the road.

Mr Khemraj Ramjattan: That is how you got it?

The Chairman: Yes, I was just standing at the side of the road. Is there a new one?

Hon Samuel AA Hinds: You will have to have the Security Act in front, so if you have it, you might be guilty even though you took it up that fell off from a truck

Mr Khemraj Ramjattan: He is innocent if there is a freedom of information Act.

Hon Samuel AA Hinds: We do not want to keep him that way.

The Chairman: The fact of the matter is Prime Minister, I have to tell you from first-hand knowledge, because I have families, who have dredges in that area and Mr Fitz Motilall is actually begging the miners to take him up to Amalia. In other words, this is a guy who is not demonstrating that he has the economic resources to do a job like this and I was wondering if we have an agreement and who might be the principles.

Hon Samuel AA Hinds: I would ask Mr Brassington to speak, but I would not say that there is any issue of him begging. I have been encouraging and maybe more than encouraging all the people in the hinterland to work together. We and the GGMC have assisted in the road along the Apadike River that gets to Powis landing on the Potaro and I am very well aware that Mr Fitz Motilall and some surveyors went in there about six weeks ago or two months ago and they were happy to enjoy the assistance of the gentleman involved - to think about it he might be a Vieira too...

The Chairman: I did not catch his name.

Hon Samuel AA Hinds: ... and they went up the river, but let me have Mr Bassington speak.

The Chairman: But let me have one observation.

Mr Samuel AA Hinds: Yes.

The Chairman: Prime Minister, you are talking by your own evidence this morning. We are talking about a \$200 million project for the dam...

Hon Samuel AA Hinds: More than that.

The Chairman: ... and \$150 million for the line plant, we are talking about \$350 million. One would have hoped that by now Mr Fitz Motilall would have put a small airstrip so that he would go in with ease, because he is talking about a national problem.

Hon Samuel AA Hinds: In time, the miners in the area will benefit from the infrastructure that we will put in.

The Chairman: Thank you for that information, but the fact of the matter is that I did ask you a question and the question I asked you is that Fitz Motilall who is representing Synergy, are you operating as of now notwithstanding that numerous areas of it have been repudiated, the same contract which was signed on 23 May 2006 or is there a new contract?

Hon Samuel AA Hinds: I think that Mr Brassington is very well placed at it?

12:10 H

And May I ask for a few minutes leave.

The Chairman: Certainly Sir.

[The Honourable Prime Minister withdraws]

The Chairman: I will suspend the meeting for a few minutes until the Honourable Prime Minister comes back.

Mr Khemraj Ramjattan: Let us hear the answer, because Mr Brassington has to answer. I want to leave.

The Chairman: Please Mr Brassington, go ahead and answer. Mr Murray will chair for me for a few minutes.

[The Chairman withdraws]

[Mr Winston Murray assumes the Chair]

Mr Winston Brassington: Okay, with regard to content, if I can begin with what is current in the document that fell out of the truck that Mr Vieira procured, that Agreement spoke to two parts:

- (i) With a thermal project; and
- (ii) With a hydro project.

The thermal project is no longer being procured with Mr Motilall that is fallen by the way side, because the plant that he was looking to bring from Mexico, there were certain issues of getting it out of Mexico and GPL considered the risk at that time as unacceptable.

With respect to the hydro, last year Mr Motilall brought to the Government, a partner who is taking over full responsibility for these arrangements. That partner is SIGHT GLOBAL; it is a eighty percent owned subsidiary of the Blackstone Corporation in America, which is the Blackstone Group which has over US \$160 billion on the management.

Mr Winston S Murray: What percentage is it?

Mr Winston Brassington: Eighty percent - So SIGHT GLOBAL is a subsidiary of the Blackstone Group. SIGHT GLOBAL is currently the major shareholder in 250 megawatt hydro project currently under construction in Uganda. The management of SIGHT GLOBAL has many decades of experience developing hydro projects and other energy projects around the world. So they represent a group that has money; that has the experience to get the job done.

SIGHT GLOBAL in their meetings with the Government made the following requests:

- (i) The timelines that we had in the MOU were no longer achievable;
- (ii) They indicated that they were willing to put all of the equity in the project and that is over US \$100 million;

[The Chairman resumes the Chair]

The requirements for putting the equity would be, once the project is structured so that they can earn an equity return of twenty-five percent based on the financing structure that was presented that would give you a rated average cost of capital in the vicinity of about thirteen percent. In any of these projects there

is a portion financed by debt and a portion financed by equity. So their target return was twenty-five percent. They said that the tariff that we had in the MOU of 7.5 cents would not be achievable, because the capital cost for the project that they were working with had increased since 2001 when the feasibility study was completed by Montgomery Hasra. They had rolled that plan out in obtaining a preliminary figure and they were looking then at \$360 million for the project cost simply based on inflation and on some of their experiences in Uganda on pricing, and on that basis they said that they said that the tariff would need to be increased from 7.5 cents. Again, they indicated that they were willing to be flexible on this, but this flexibility had a limit, because it was our objective to get the best possible price for the hydro. So it is not hydro at all cost; it must be hydro at a price that we can live with in the long term.

[The Honourable Prime Minister returns]

Recently this year, we had a follow-up meeting and at that meeting they indicated that the feasibility study had been updated by Montgomery Hasra and the cost had gone up beyond the \$360 million in excess of \$400 million now. The Government said, we do not wish to change the increased tariff level that we preliminary approved last year, we want to stick with that and if they were willing to go forward with the project, they have to take the risk and go forward with the project and get the bids, because we are dealing with a theoretical figure of what the feasibility study says, until you actually go out and receive your Engineering Procurement Construction (EPC) Bids, you can have an estimate today, you can have an estimate tomorrow, but until someone is willing to say that we are going to build it on a specific price, you do not know, you do not know where you are. The bids for the process are on the way expression of interest has been issued to over thirty firms. I am advised that about half a

dozen of them have responded and are receiving the bid packages this month. Within this development stage between now and September, between US \$1 and \$2 million is being spent by the developer to bring this project so that they can have bids and in September, which is the date that the hydro licence has been extended to - in September - the Government, SIGHT GLOBAL and Synergy will sit down and see the results of those bids, which will then allow us to be able to determine what the final package will be in order for this project to be financially acceptable to all the parties. So we are sticking, we do not want to move much on tariffs. The investor is taking the risk to get the bids completed and to receive the bids which will give them a capital cost and then once you have the capital cost, you can then map the capital cost, the return and equity on what the investor will be able to obtain and the tariffs. Because there are basically three parts to this equation, you change the tariffs or you change the cost of capital or you change your capital cost, one of the other two has to change to accommodate that or somebody will have to take the hit. So in September we will be in a position to do that I think we remain optimistic, because all of the work is being done in a very diligent manner with expert firms at all levels that we will have a solution when the bids come and we can sit down and hopefully by the end of the year, reach a position reach a position, where we can financially close the project and we have an EPC contract fully funded and ready to go so that construction can start at the beginning of next year. But like all of these things until it all done; so we are working hard on our side; SIGHT GLOBAL is taking the risk in doing the development work and when we see the results, final decision will need to be made.

The Chairman: Thank you Mr Brassington

The fact of the matter is, if I might just interject, do you have an agreement with Synergy which the Prime Minister said is the one that is still standing...

Mr Winston Brassington: Yes.

The Chairman: ... and it specifically states on the agreement that the price would be 0.075 which means deliver to Sophia at 7.75 cents per KWH. They specifically stated here ... So what is the new negotiation about?

Ms Winston Brassington: Because of the increase in capital cost of the project, we are currently at a price and there is a lot of details that are not in that agreement that the parties have negotiated in the normal part of business. We have letters of exchange which basically have indicated that we are willing to go up to a price of 10.14 cents after the initial period. So after the first five years from financial close, we are willing to go to that price. The investors in SIGHT GLOBAL have said that the current financial model does not work at that price, but they are dealing with theoretical assumptions on capital cost and we have said that until to bring back to us a proper position, we do not want to finalise on this. What we have obtained which is not in there is the original MOU provided for provided for twenty-five years PPA renewable for another ten years. We have actually reduced it to twenty-years, so at the end of twenty years the hydro project, which is a long term project and will be handed over to us for a dollar. So we are structuring it on the basis of a booth and the pressure comes up-front, because with the rates of return it is the earlier years of cash flow that make a big impact and your later years of cash flow have a much less significant impact on the present value of today.

The Chairman: Obviously, if I might say, the original arrangement from Synergy which I had from Ketwaru, whatever is the name of the guy, they were

going to deliver the power to Sophia for certain amount of money for the first ten years until they amortise the line plant and the dam and after that there will be substantial reduction. I do not see that in this agreement. Is it contemplated that whoever builds the thing within ten years after they build it the rate must come down significantly lower, because you will allow them the first ten years to amortise. They have made an investment; they have a right to recover it. This agreement does not have it; they just have it straight for thirty-five years; you pay them 7.5 cents.

Mr Winston Brassington: There was a provision that after the debt is repaid it can drop. The interim arrangement that we had recommitted to on the price, we removed any inflation adjustments. So our price that we would enter into would be a nominal price; so the way our last position was that we presented that we had agreed last year, which is subject to review because of the capital cost was it would be a little under eight cents in the first year and it would be going up to 10.14 cents from 2013 and it would remain at that level - fixed at that level - until nineteen years later. There will be no inflation attachments and at the end of the nineteen years, the hydro plant will be handed back to us free, but those numbers will have to be reviewed once all of the assumptions have tested and checked and the final results which we hope to have by the end of September.

Hon Samuel AA Hinds: I think that there have been talks, negotiations and letters of exchange which have moved the situation forward from the one you have.

The Chairman: Yes, I understand that, but I am inquiring whether you had any thoughts as to ... because you are negotiating and we are in fact inquiring and it is not a secret, what is the Government's best scenario negotiating thing - ten

cents initially and then go down to whatever after ten years. Do you have a figure in mind?

Hon Samuel AA Hinds: Well, let me say our approach has been that this would be an open-book arrangement, so all the calculations are known and so that one figures are set, investment and so on, once can calculate - almost any accountant can calculate or a number of accountants could calculate - and come up with like the same scheme of payments to satisfy the investments. I would like to say that at the moment, at the current price for heavy fuel oil, one of what we think is the best situation with Wartsilla units, the price per kilowatt hour generated runs at 13.8 cents for fuel and maybe lube a very direct cost and maybe another 3.7 cents for capital, which gives you about 17½ maybe even what we would consider the best alternative to hydro. So at this moment, if the cost of investment, if trade comes out best, you need \$500 or \$600 million to build this thing and not \$350 million and if when you do those calculations the number comes at or above 17½, then it does not go. This is essentially what happens in 2001 at the oil prices then. It did not come in lower than HFO fuel Wartsilla engines. So there is a little bit of room and once there is room there, there if going to be a little tough negotiation to make sure we get as much of that leeway as we could.

The Chairman: Prime Minister, I would like to be as kind as possible...

Hon Samuel AA Hinds: Yes, Sir

The Chairman: ... but given the fact that initially the cost is so expensive, because of the fact that when you amortise the line plant and the cost of construction, the cost of generation drops drastically perhaps even to four cents per kilowatt hour, which is what I believe was your first offer from Synergy. With due respect Mr Prime Minister, not building it ten years ago is inexcusable, because ultimately

the cost would have gone well below; you would have had a ten-year period where the cost might have been equivalent to when you generate with fuel, but after that first ten year period, the cost would have gone down remarkably.

Hon Samuel AA Hinds: If you had joined me on the platform, I might go with you. I told you that somebody in December said that we must not base prices on the current level maybe then \$90, because he expects oil to go back to \$30, so he might look for a \$30 price, remember that is how the Guyanese think.

The Chairman: Prime Minister, might I tell you as a person in the media, do not believe everything you read in the newspapers.

Hon Samuel AA Hinds: Thank you very much, Sir.

Mr Dave Danny: Mr Chairman, concerning meter rates, (let us say) you have a building, you take out a meter initially which is 110 and so you decide to buy a new equipment and it is 220 or 240, would you say it is correct to take away the meter you had initially installed and to ask the person to take a new meter or would it be better to have a discount, the increase from the new meter the 220 which is security?

Mr Bharat Dindyal: Let me try, my response is really not what you would expect, because probably I do not understand the question.

Mr Dave Danny: Okay let me just put it a little better. You have a 110 meter, so you want to put in a 220 equipment, you come and take away the 110 and you were asked to buy a 220 meter; is that fair.

Mr Bharat Dindyal: Let me see if I can offer an answer. If you would have been receiving power since the GEC days, your deposit might have been very small.

If you are now applying for a 220 service and you has a 110 service, if you desire a 110/220 service then we have to change the meter, because we have to put it on three-wire meter not a two-wire meter; 110 is a two-wire and 110/220 is a three-wire meter, so we have to change the meter. If you look at the standard terms and conditions, we will ask you now to update your deposit. It is not a new deposit, you are updating the deposit.

Hon Samuel AA Hinds: And you are not paying for the meter, you are putting a security deposit, which is based on the anticipated consumption.

Mr Bharat Dindyal: You are paying for the meter.

Mr Dave Danny: Then you are saying that you will take the meter, whatever the small sum is into consideration pertaining to the ... *[Interruption]*

Hon Samuel AA Hinds: You are not paying for the meter, it is a security deposit.

Mr Dave Danny: So that goes towards the increased amount

Mr Bharat Dindyal: It is in the standard terms and conditions; it says if you were a GEC customer then you have to provide the evidence showing that you have paid the deposit and how much you have paid, so you have to bring a receipt.

Mr Dave Danny: So if you lost your receipt, I do not that is reasonable; what you have to pay it for? Not everybody would keep a receipt. I have to pay for the meter, before I get it. I do not think that that is reasonable.

Mr Bharat Dindyal: Unfortunately, the customer information system - the billing system - never used to record that kind of information.

Mr Dave Danny: So how do you get the initial wire, you could not have stolen it.

Mr Bharat Dindyal: Come again?

Mr Dave Danny: How would you have gotten the initial 110?

Mr Bharat Dindyal: It is not saying that you are an illegitimate customer. It says that if you want us to recognise the deposit that you would have paid in the GEC days, you must bring a receipt to show that you pay that money.

Mr Dave Danny: I do not think that is reasonable.

The Chairman: Honourable Members, the Chair recognises Mr Murray

Mr Winston S Murray: First of all, let me express my appreciation to Mr Brassington for the update that he has provided with respect to Amalia and the hydro power project in relation thereto. As he spoke, what occurred to me is there not some way without reaching the need for confidentiality between the negotiators to update the public about what is taking place in an important area of increase in power supply. I will tell you why I say that, because I am very enlightened and now I am much more hopeful than I was about the real prospects of Amalia. I always regard this public representation of Synergy as a viable partner as a joke, because anybody who has gone on line and checked out this fellow Mr Motilall, his credentials are not very reassuring in the area of supply of hydro power or whatever else would it be reassuring on. But when I hear SIGHT GLOBAL and eighty percent owned by the Blackstone Group, I am buoyed. I mean, is there not a way? There is not the need always Prime Minister and I say this in all sincerity to believe that everything has to be kept so tight under cover in the name of this thing called confidentiality. Surely there is some

bit of information if only to say that Synergy is now in partnership with a much more reputable company and therefore enhance prospects of this coming on stream. It could help the national perception about the reality about what we are getting into here. I just thought I will say that by way of a general comment and it only relates to Amalia in this specific instance and I am making it as a more general comment, because I feel that often the Government sells itself short and the public gets the wrong perception.

The Chairman: Thank you Mr Murray.

Mr Prime Minister, may I just add before I invite Mr Khan who has been trying to speak, I guess for the last half an hour, that in February 2007 according to the submission the Government signed a deal with RUSAL for the generation of power in relation to probable smelting of bauxite; would it be possible to get a copy of that contract? Is it a secret document or is it ... it says here that the Government granted RUSAL exclusive rights for an initial period of three years to conduct a pre-feasibility study. Is it possible to get a copy of the MOU that sets out this whole sequence?

Mr Winston Brassington: The agreement that we have is commercially sensitive and we have confidentiality provisions on that. What we agreed to do is to issue a joint press release which summarised what we had agreed, which we issued last February, which maybe where you may find the information, but I do recall this MOU which does speak to the hydro smelter alumina refinery bauxite complex with hydro in the Upper Mazaruni. There are certain details in it which RUSAL wanted to maintain confidentiality on, because it is a big company. They do not like the commercial details on what they have in the public domain, but

we have the Press Release which summarises the elements and I would need to be advised to what extent we can divulge any more details.

The Chairman: It is a substantial plant. This is not 100 megawatt

Mr Winston Brassington: No, this would be a 2,000 megawatt.

The Chairman: This is 1,320 megawatts so it is a huge project. I am not saying that it did not happen, but I have to tell you, Mr Brassington, that I am not aware that in fact a proper public disclosure is made as to the general nature of the agreement. We certainly did not see it in the House.

Mr Winston Brassington: We can provide a copy of the Press Release which we made public in February of last year.

The Chairman: Yes, please do that. The Chair recognises Mr Khan.

Mr Mohamed F Khan: Thank you Mr Chairman, I thought that you will never deprive us from this side of the table to ask a few questions. Anyway let me thank the Prime Minister and his officers for being here and sparing us some time.

I want to turn your attention to the type of engines or the generating sets that we are having in GPL. Last year GPL bought was high speed caterpillar engines as a back up for the system. I understand that the consumption and maintenance of these equipments are very high as compared to other equipment like the Blackstone engines. Can you say why GPL opted to buy these engines to back up the system?

Hon Samuel AA Hinds: You want an answer from anyone?

Mr Mohamed F Khan: Yes. I have not got another question, but maybe I will ask another one.

What type of equipment or engine has proven to be the best for energy power in GPL and if GPL has not had a long term plan to standardise these engines using the HFO fuel?

Hon Samuel AA Hinds: We will ask the gentlemen who is closest to those things. He will tell you the same thing that he tells me.

Mr Bharat Dindyal: Where the use of Caterpillar equipment is concerned, on the market right now there is a significant backlog in the delivery of generating equipment and that is a particular base load generating equipment.

In fact in 2005 and 2006 some significant orders were placed for generating sets particularly by the Cuban Government and in fact if you go for base low units you have to wait for three years for a new engine.

In 2007, as we were approaching the Christmas period, we realised that we would have run into capacity problem. I want to say something that in 2007, we experienced a demand on parallel demand from about October. In fact, in October 2007, we had a record in terms of power production for any month for the Company, I should say. And so our productions for December for the Christmas period had to revisited and revisited very urgently. In doing that, of course we were caught in a situation where we had to acquire capacity at very short notice and the containerise module from Caterpillar, which we are accustomed to and which we have some experience and obviously would have been a prime candidate and therefore we opted for these units. They were

procured and they were installed, I think five modules within four days and all came on board a week before Christmas.

The use of various types of equipment for generation is a reality of our financial situation and if we do have the money, of course we did a five-year programme and we did more long term projections. We know what our power requirements are and of course if you look at the development and expansion plan, you will see that there is a plan that is always there. The fact is how do you find the money to fund these investments on a timely basis and when we are caught where we do not have the money to fund these things on a timely basis, you are actually caught, you have to go to high speed equipment which is available?

We have been using over the years Wartsilla equipment, we have used Molly's equipment; we have used Caterpillar equipment; we have used Negata equipment; we have used EMD electro motor diesels. There are different types of equipment and they have served different purposes. The Caterpillar sets basically are more suited for peak shave operation, short duty; the EMDs are basically short duty equipment also. We only have Wartsilla equipment, we have Molly's equipment and firstly I should mention that we have Crossley's too. Those are base load machines; they run twenty-four/ seven except for periods when they have to do maintenance. We have had extremely good experience with the Wartsilla equipment, which we introduced for the first time in 1993. In fact, the first two engines that were commissioned in 1994 to date we have had an availability of ninety-five percent running on heavy fuel. So it is an extremely good engine and it has served us extremely well. Wartsilla has actually continued to improve on the design of that engine and Wartsilla now is a major supplier of medium speed diesels for power generation. They have a significant share of the market possibly over thirty percent. There are other

manufacturers of large engines of the range that we use, Mann BMW comes to mind, Negata also. We do not have too much experience with Mann engines running on heavy fuel and so were experience is concerned, I will say that our best engines right now are the Wartsilla engines and if we have a choice, we will continue to use the Wartsilla engines and Prime Minister did mention that the Kinston Plant that we are contemplating, in fact we have already paid the advance payment on, we are going to have three Wartsilla engines and it is the latest version of the 32, which we started to use in 1993.

The Chairman: I actually could substantiate part of that, because I am one of those people who look at the history channel. You might be interested to know that the huge pumps that pump the water over the hill to supply Las Vegas and California are Wartsilla engines.

After Mr Khan, I think that we would not detain the Prime Minister any longer, but however, Prime Minister with your co-operation if there is anything here that after the Committee studies it, we may ask you to kindly return or certain Members of the Team if that would be okay by you. So after Mr Khan speaks I will wrap up the session and finish.

Oh, Mr Seeraj as well.

Mr Khan!

Mr Mohamed F Khan: I am finished.

The Chairman: Well Mr Seeraj

Mr Dharamkumar Seeraj: Thank you Mr Chairman. Mr Chairman, actually I was trying to get your attention even before Mr Irfaan Ali spoke that was way back in the morning.

Hon Samuel AA Hinds: That is not an important issue. *[Laughter]*

Mr Dharamkumar Seeraj: I did not make an issue of that because I suspect that might have been the answer.

Mr Chairman, I want to support the remarks made by Mr Murray in light of what we have learnt here today and especially the comment made that the Government sometimes has not been more open with some of this information, they might be short selling themselves in the eyes of the public; the more informed the public is; the more likely they are to take informed action as against leaving them in a vacuum which can be filled with various speculations. Mr Chairman, my question originally has to do with transmission and distribution *vis-à-vis* emphasis on generation itself, but that was subsequently answered when we were told that there is a \$40 million programme in place for the upgrading of transmission and distribution, which to my mind takes priority over generation itself when you are faced with a thirty-four/ thirty-five percent loss.

Hence no question, but I would like, Mr Chairman, with your permission to say that I am extremely happy that we have chosen the Office of the Prime Minister for our first guest here, because they have set a precedent which to my mind demands our compliment, in a sense they have responded in time, they have provide written answers to our questions and there was no postponement of the time we had suggested and I think that this is worthy of our compliments.

The Chairman: Honourable Prime Minister it is such a pleasure to see you and to thank you and your team for the explanations that are do badly needed and of course, as I mentioned before, if it is possible after examining some of the data, if the Committee may decide that it would be necessary for a further consultation to clarify any minor or major issues, but Sir, I want to thank you, Mr Brassington, Mr Dindyal, Mr Sharma and Ms Nestor for coming and thank you very much.

Hon Samuel AA Hinds: Let me say on my own behalf and on behalf of all of us, thank you very much for having us and I would like to say again that we appreciate this opportunity to bring to this Sectoral Committee and through the media all the people of Guyana the situation of electricity generation; the particular situation that Guyana and the world find themselves and I hope that you have been re-assured and the people of Guyana have been re-assured that we are working very assiduously and I would like to say competently to ensure that we get the best electricity that we can get at the lowest sustainable prices. Thank you very much.

12:45H

[Prime Minister and Team withdraw from the meeting]

(ii) MATTERS ARISING (Revisited)

The Chairman: Honourable Members, we have one thing to do and that is to complete Matters Arising from the Minutes. Once we do that we can close off the Economic Services meeting for today.

Page 5...

Shall we just back up to Page 5? Are there any issues on Page 5?

Page 6...

Are there any matters arising on this page?

Page 7...

Are there any matters arising on this page?

Honourable Members, there being no other business, I will move to the next item on the Agenda.

ANY OTHER BUSINESS

Is there any other business? *[Pause]* Thank God. I think we had a successful meeting with the Prime Minister.

Next Meeting

I believe our next meeting will be on the 20th, so you will get an extra week's rest.

I now adjourn the Economic Services Meeting.

So gentlemen, thank you very much.

Adjourned Accordingly at 12:50H

NB: Questions to the Prime Minister and Written Replies are appended hereto.

QUESTIONS TO THE GUYANA POWER AND LIGHT INC. (GPL)

- A. Is there any policy documents/plans which set out Government's plans for the Fossil Fuel Generation of Energy over the next 5 to 10 years? If so, could these be made available to the Economic Services Committee?
- B. What is the projection for consumption of electricity in Guyana over the next 5 to 10 years? How does the Government propose to meet those projected needs? In this regard it will be helpful to highlight the contribution from hydro, wind, solar and ethanol.
- C. What is the current level of demand for electricity and what is the current level of supply broken down as the supply from Guyana Power and Light Inc. (GPL), or any other sources?
- D. What is the current cost of production of electricity by Guyana Power and Light Inc. (GPL).
- E. What is the projected cost of production of electricity to the National Grid including the Skeldon Project from other sources?
- F. What is the current level of loss of power produced - commercial and non commercial and what is being done to arrest such losses?
- G. What is the basis on which Guyana Power and Light Inc. (GPL) obtains its petroleum needs?
- H. What was the level of employment at Guyana Power and Light Inc. (GPL) at the end of December 2007, and at the present time? What is the projection for employment by the end of 2008 and kindly show on a diagram what is the employment structure (together with numbers) at the GPL.
- I. How much money has been spent so far on the unserved areas electrification programme? Which areas are now being served under this program? What has it cost to bring each area into the served programmes and, what is the sum of money being collected as revenue from each of these new areas?
- J. Kindly supply the audited or any other financial statements of GPL over the last 5 years. Kindly indicate the major debtors and creditors together with the relevant amounts owed over the same period and the amounts involved.
- K. Are there any special arrangements for the supply of, and payments for, electricity to the residences/ businesses of directors and employees of the company?
- L. What are the proposals, if any, for the privatization of this entity and for private sector involvement in the provision of electricity in the future?

- M. What is the system used by GPL for responding to complaints by its customers about over billing, disconnections, re-connections etc?
- N. Is there any policy shift contemplated which would allow the PUC to regulate rates of electricity on behalf of the nation?
- O. Is there any restriction for back billing customers and if there is, does it not conflict with the provisions of the PUC Act.
- P. Please brief the committee on all plans for alternative energy over the next 10 years.
- Q. Please indicate governments immediate plans regarding the Linden cost of electricity.



Registered Offices:
Guyana Power & Light Inc.
40 Main Street
Georgetown
Guyana
Tel. No. 592-2-54618

May 30th, 2008

Answers to Questions posed by Parliamentary Sectoral Committee on Economic Services (May 23rd, 2008)

- A. Is there and policy document / plans which set out Government's plans for the Fossil Fuel Generation of Energy over the next 5 to 10 years? If so, could these be made available to the Economic Services Committee?

Answer - Yes, GPL publishes an annual and five-year Development and Expansion Programme which incorporates a generation expansion plan that reflects our intention to realize 100% utilization of renewable energy sources. GPL's 2008 - 2012 Development & Expansion Programme is attached as Exhibit 1.

- B. What is the projection for consumption of electricity in Guyana over the next 5 to 10 years? How does the Government propose to meet those projected needs? In this regard it will be helpful to highlight the contribution from hydro, wind, solar and ethanol.

Answer - Attached as Exhibit 11 is the demand forecast from GPL's D&E Programme and a projected dispatch schedule. In this plan no power is projected to be coming from solar or ethanol sources.

- C. What is the current level of demand for electricity and what is the current level of supply broken down as the supply from Guyana Power & Light Inc. (GPL), or any other sources?

Answer - The current demand for electricity from GPL's customers is 85MW. GPL current available capacity is 131MW. Guysuco will have a total installed capacity of 40MW; 10MW of HFO fired diesel capacity and 30MW of co-generation capacity.

D. What is the current cost of production of electricity by Guyana Power & Light Inc. (GPL)

Answer -

Average production costs Jan - April 2008

Locations	Gross	Cost	Total	Direct	Direct
	Generation	per MWH	Cost	Variable	Fixed
	MWH	G\$	per kWh	Cost per kWh	Cost per kWh
			US Cents	US Cents	US Cents
Canefield	9,258	49,940	24.24	21.73	2.51
#53 Village	-	-	-	-	-
Onverwagt	6,128	49,966	24.26	22.39	1.86
Kingston Steam	164	-	-	-	-
GoE	13,606	50,305	24.42	22.17	2.25
Versailles	13,223	49,168	23.87	22.69	1.18
Anna Regina	6,262	37,039	17.96	13.75	4.23
Wakenaam	402	53,870	26.15	20.89	5.26
Leguan	358	61,611	29.91	22.15	7.76
Bartica	1,790	58,059	28.18	21.54	6.65
Total - Wartsila	107,852	28,227	13.70	13.70	0.00
Sophia	9,905	56,988	27.66	21.25	6.41
Guysuco	12,395	36,439	17.69	13.03	4.66
Total	181,343	36,425	17.68	16.16	1.52

Production costs for the month of April 2008

Location	Total Direct	Total	Total Direct	Gross	Cost per	Total	Direct	Fixed
	Variable	Direct	Costs	Generati	MWH	cost per	Variable	Costs
	Costs	Fixed		on		kWh	Costs per	per
	G\$000s	Costs	G\$000s	MWH	G\$	US	US	US
			G\$000s			Cents	Cents	Cents
Canefield	120,692	9,055	129,747	2,445	53,075	25.76	23.97	1.80
#53 Village	-	-	-	-	-	-	-	-
Onverwagt	75,967	5,257	81,224	1,480	54,864	26.63	24.91	1.72
Kingston Steam	-	-	-	80	-	-	-	-
GoE	228,762	15,332	244,094	4,495	54,303	26.36	24.71	1.66
Versailles	190,864	6,623	197,487	3,636	54,310	26.36	25.48	0.88
Anna Regina	51,677	5,874	57,551	1,710	33,659	16.34	14.67	1.67
Wakenaam	4,668	1,420	6,088	100	60,856	29.54	22.65	6.89
Leguan	4,456	3,595	8,051	87	92,148	44.73	24.76	19.97
Bartica	22,345	5,060	27,405	462	59,318	28.80	23.48	5.32
Total - Wartsila	723,728	-	723,728	25,461	28,424	13.80	13.80	-
Sophia	143,410	37,260	180,670	2,913	62,018	30.11	23.90	6.21
Guysuco	96,291	23,100	119,391	3,378	35,346	17.16	13.84	3.32
Total	1,662,860	112,576	1,775,436	46,248	38,389	18.64	17.45	1.18

E. What is the projected cost of production of electricity to the National Grid including the Skeldon Project from other sources?

Answer - Projected cost of electricity by source:

Source	Projected Cost (US\$/kWh)	Remarks
Wind	0.09	
Co-generation	< 10	To be negotiated
Hydro	0.0795 - 0.1023	
HFO fired capacity	0.192	Includes fixed cost of US\$0.037
Diesel fired capacity	.337	Includes fixed cost of US\$0.037

F. What is the current level of loss of power produced – commercial and non-commercial and what is being done to arrest such losses?

Answer -- Losses at the end of April 2008 was 33.2% based on a twelve-month rolling average. 11.4% of this is estimated to be technical losses. In its 2008 Development and Expansion Programme a very detailed loss reduction programme is included.

List of major Debtors –

See Exhibit 111 attached.

G. What is the basis on which Guyana Power and Light Inc. (GPL) obtains its petroleum needs?

Answer – GPL's fuel is procured from PetroTrin and STAATSOLIE (State Oil of Suriname). STAATSOLIE owns the vessel that freights GPL's fuel and if the Company is unable to supply fuel the vessel is chartered to lift fuel from PetroTrin. GPL's pays for fuel shipments in advance.

H. What was the level of employment at Guyana Power and Light Inc. (GPL) at the end of December 2007, and at the present time? What is the projection for employment by the end of 2008 and kindly show a diagram what the employment structure (together with numbers) at the GPL.

Answer -

Year	Staff Strength	Remarks
2007 (Dec. 31 st)	1304	70 Contracted staff,

2008 (Dec. 31st – Projected)

1183

37 Apprentices, 6 UG students on attachment, 1 Cadet and 14 Management Trainees not included.

Company's staff structure is attached as Exhibit IV

- I.** How much money has been spent so far on the unserved areas electrification programme? What areas are now being served under this programme? What has it cost to bring each area into the unserved programmes and, what is the sum of money being collected as revenues from each of these new areas?

Answer -

1. \$1,678 M has been spent so far on the unserved areas electrification programme comprising of:
 - \$866 M spent on Phase I of the IDB/GoG funded UAEP that has provided electricity for 15,131 lots in 63 housing areas – see Table 1
 - \$ 812 M spent by GoG to provide electricity for 22,392 lots in 48 housing areas – see Table 1
2. Areas being served under the UAEP AND GOG programs are listed in Tables 11 and 111 respectively.
3. Consumer Capital contributions from the areas are provided in Table 1, and total G\$ 125.15 M.

Table 1

Region	UAEP			GoG			Total		
	No of	No of	Capital	No of	No of	Capital	No of	No of	Capital
	Lots	Lots	Contribution	Areas	Lots	Contribution	Areas	Lots	Contribution
2	9	1,083	5,000,000	5	1,158	1,470,000	14	2,241	6,470,000
3	12	2,534	12,740,000	9	8,729	20,270,000	21	11,263	33,010,000
4	16	7,640	31,140,000	19	9,373	31,290,000	35	17,013	62,430,000
5	9	721	3,330,000	-	-	-	9	721	3,330,000
6	12	3,153	11,270,000	15	3,132	8,640,000	27	6 285	19,910,000
Total	58	15,131	63,480,000	48	22,392	61,670,000	106	37,523	125,150,000

Collections from UAEP Areas – See Exhibit V (Areas 12 to 77)

Collections from GOG financed Areas – See Exhibit VI (Areas 25 – 78).

(Note: Exhibit VII attached - see description of billing areas).

Table 11
Areas provided with electricity
IDB/GoG Funded Areas

UAEP AREA	Available Lots
BUSH LOT NEW	60
CHARITY HOUSING SCHEME	111
HENRIETTA/RICHMOND	287
JIBB HS	88
LA BELLE ALLIANCE	36
LIMA PASTURE	73
POMONA SECTION D	227
SUDDIE (NEW & OLD - ONDERNEEMING SAND PIT)	98
WESTBURY	123
TOTAL	1 083
<hr/>	
ANNA CATHERINA SOUTH	130
CLAYBRICK ROAD (MON DESERT)	111
CORNELIA IDA BLOCK N (SILVER)	111
CRANE	599
PATENTIA	50
PREM NAGAR	131
STEWARTVILLE SEAVIEW	27
TUSCHEN - PARKA R/WAY EMBANKMENT	140
TUSCHEN (MOUNT) S. J & H	388
VERGENOEGEN SOUTH	88
ZEELIJGT NORTH	709
ZEELIJGT SOUTH	52
TOTAL	2 534
<hr/>	
COLDINGEN	443
CUMMINGS LODGE AREA Y	875
FOULS BLOCK I & II	785
GOEDVERWAGTING	93
LIJENDAAL	637
LUSIGNAN PASTURE AND GOLF COURSE	90
MOSQUITO HALL	89
PARADISE AREA G & BLOCK 8	992
PATTENSEN SECTION B	1 328
SOPHIA - BLOCK AA	120

UAEP AREA	Available Lots
<u>SOPHIA - BLOCK E</u>	211
SOPHIA - BLOCK F	157
SPARENDAM	144
STRATHSPEY AREA G	110
TURKEYEN SECTION C	813
TURKEYEN SECTION D	773
TOTAL	7.640
BARA BARA	40
ESSAU & JACOB	40
EXPERIMENT 1C	85
GOVENOR LIGHT	30
HOPE BLOCK IF LOT 15	93
MOCO MOCO	0
NO. 4 VILLAGE	34
PLANTATION FARM	182
WATERLOO IF LOT 15 & II LOT 14	157
YARROW CREEK	60
TOTAL	721
BROTHERS	62
CUMBERLAND SECTION D	123
LONSDALE	67
ROTTERDAM	49
SISTERS	152
BELVEDERE/HAMPSHIRE NIGG NORTH	268
HAMPSHIRE SOUTH	386
KILCOY/CHESNEY	275
JOHANNA	333
LESBEHOLDEN	268
MIBKURJ	645
YAKUSARI	485
TOTAL	3,153
Grand Total	15 131

Table 111
GoG Funded Areas

GoG Area	No. of Lots
Region 2	
Adventure Sands	55
Airy Hall Sands	45
Lima Sands	500
Cullen Sands	20
Charity Extension	538
Total	1,158

Region 3	
Vive La Force	37
Vriesland	135
Goed Fortuin	161
Edinburg	80
Bell West	1,708
Comelia Ida - Block X & Y	697
Parfait/Harmony/West Minister	3,263
Parika Façade	60
Tuschen - Block 8	2,588
Total	8,729

Region 4	
Golden Grove - Kaneville	770
Herstelling - Block 1 (SILWFC)	
Herstelling (GUYSUCO)	110
Pattensen/Turkeyen Area L&R	75
Cummings Lodge - Area C (Cummings Park)	557
Great Diamond	2,446
Golden Grove	1,944
Mocha/Arcadia - Block IX	194
LBI - Block 9 (Cherry Tree)	64
LBI - Block D (Onlon Field)	102
Craig Milne	54
Enterprise - Section A	42
Mon Repos - Block 8	675
Lowlands/Hope	480
Belfield - Block 1	149
Enmore/Haslington	879
Good Hope - Phase 11	227
Industry - Area J	51
Plantation Lowlands	137

GoG Area	No. of Lots
Bachelor's Adventure (block XXX111) - Bareroot	417
Total	9,373

Region 6	
No. 77 Village	476
No. 78 Village, Eliza & Mary (Little Africa)	151
No. 79 Village (Little India)	85
Adventure/Friendship - 1st Street	119
Bangladesh	133
Grassfield - Block 6	50
Whim - Wire Dam	18
Chesnew/Kilcoy (SILWEC)	70
Albion - Area H & J	177
Tain - Block 4	196
Anchorville/Resource - Block R	224
Adelphi - Area 1 & 2	155
Glasgow	142
Ordinance/Fortlands	996
Friends/Kortberaad	140
Total	3,132

Grand Total	22,392
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- J. Kindly supply the audited or any other financial statements of GPL over the last five years. Kindly indicate the major debtors and creditors together with the relevant amounts owed over the same period and the amounts involved.

Answer - See audited financial statements for the years 2003 - 2007 attached as Exhibits VIII - XI I

List of Major Creditors -

Suppliers	Description of Goods and/or Services	March-08	
		Active Payables	Potential write-offs / Waiver / Set-offs / Grandfathered / Disputed \$

Demerara Power Company	Interest on outstanding invoice	9,492,109	
	Escalation Fees - Mar to Sept 2007		
	Installing and commissioning on WISE & WOIS in upgrading PLC system		
	Foreign O&M charges	139,107,488	
	Local Operation & Maintenance Charges		
GUYSUCO	Purchased Power	141,629,494	
Guyana Oil Company	Petrol Supplied and Washing of Vehicles	3,248,188	
	Freight charges		
Machinery Corporation Guy Ltd	Parts supplied	62,093,679	
	Rental of Cat Sets	162,540,592	
Wartsila Caribbean	Mechanical Spares	63,288,154	
	Engine Block & Spares		
	Interest on Outstanding invoices	6,165,000	
NICIL	Rental of caterpillar units		86,558,759
Guyana Water Inc	Water Rates and taxes		9,020,150
Mayor & City Council	Rates and taxes		73,987,875
Other NDCs		1,649,770	
Payroll Accruals	PAYE, NIS, Overtime and Allowances.	109,548,259	
3 M America	Spares		
Andar Distribution	Pole Climbers Boots	2,929,835	
A&D Sales	Engine Spares	2,529,206	
Alstom Power	Services rendered	1,408,728	
Bacon & Woodrow & de Souza Ltd	Professional fees for Acturial valuation of Pension scheme 2007		

Barbados Power & Light	Spares		25,694,820
FCI USA	Tools		
Cooper Gay and Company	Additional premium and Insurance on Marine Cargo Policy		
Dalon International	Spares Supplied		
Davenport	Spares Supplied		
Dell Marketing	Computers Supplied		
D. Ram persaud	Refurbishing Con Rod		
ENERSYS	Batteries		
H&H International	Spares Supplied		
IESCO	Spares Supplied		
Itron	Meters	10,148,545	
Machinery Corporation of America	Flexible Cable		2,097,381
Meridian	Inhibitor Chemical		
Mc Master Carr	Tools		
Optimum	Spares Supplied		
Power Resources	Seal Kits		
PECO	Spares Supplied	9,223,980	
Risho Kogyo Co. Ltd	Transformers		
Saybolt	Fuel Inspection Fees	1,416,250	
Sojitz	Spares Supplied		
Tesco	Meters and Chutes		
Therco	Lube Oil Cooler		
Tilsley & Lovatt	Valves		
UTEKO	Regulators and Cables	55,327,356	
BK Int'l	Fuel bought in March 2007	2,659,630	
Commissioner of Police	Security Charges	18,712,777	
de Caires Fitzpatrick & Karran	Legal services rendered	5,061,776	
Didco Trading	Mooring Fees		

Guyana Telephone & Teleg Co Ltd.	Telephone charges	9,826,640	
Guyana Post Office	Enveloping and Postage	5,000,000	
Guyana Energy Authority	Fees for Marking of Fuel		
GNSC	Mooring Fees	3,293,260	
PKF, Barcellos, Narine & Co	Audit Fees for the year 2007	6,380,000	
Ram & Mc Rae	Services rendered - replacing of shares		5,500,000
Rambarran Winston	Fuel transfer to GPL locations and Equipment hire	7,211,418	
Rex McKay	Amt. For legal services rendered re Gaskin -v- GPL (CA# 30 of 2003)		1,500,000
Singh Naipaul	Fuel transfer to GPL locations	2,824,633	
Singh Prasad Disy	Collection of oil and drains at GOE and transportation of same to KPS Antoon		5,656,000
Republic Bank	draft	142,356,000	
Miscellaneous Local		25,367,400	
TOTAL		1,010,440,167	718,102,086

K. Are there any special arrangements for the supply of, any payments for, electricity to the residences / businesses of directors and employees of the company?

Answer - There is no special arrangement for the supply of electricity to residences or businesses of employees or Directors. Permanent staff at GPL enjoys a staff rate which is 10% less than the applicable residential tariff. Note that staff rate is only allowed for residences. Most staff has deductions made from their salary towards their electricity account. No payment is being made by the Company towards the electricity account of any employee, Manager or Director.

L. *What are the proposals, if any, for the privatization of this entity and for private sector involvement in the provision of electricity in the future?*

The Government has developed a strategy paper which speaks to this issue. In essence the Government will continue to promote and encourage private participation in GPL by the private sector through power supply arrangements and outsourcing of transmission, distribution and commercial services. The Government has no defined plans to privatize the Guyana Power & Light, Inc. through equity investment in the medium term but reserves the option to review its position in the future by which time the utility's system performance would have improved as a result of capital investments. At this point the GPL would have achieved the level of performance required to attract investors.

Government's strategy for sustaining the Guyana Power & Light Inc. is available for download at the website www.electricity.gov.gy.

M. *What is the system used by GPL for responding to complaints by its customers about over-billing, disconnections, re-connections etc?*

- (i) Consumers may visit any of GPL's commercial offices and speak with the Customer Services Clerks about their complaint. These complaints / queries generally relate to billing, payments, service connections and re-connection;
- (ii) Consumers may make queries to the GPL by telephone, letters or by e-mail. Complaints will be recorded and addressed by the Customer Service Section and a reply will be sent to the customers through the same channel;
- (iii) Walk in consumers who are dissatisfied with the responses provided by the Customer Services Clerks may seek the assistance of the Supervisors or Commercial Officers. If the consumer is still dissatisfied with the outcome the consumer will be advised of and provided with a copy of the GPL's Complaint Resolution.
- (iv) Consumers may make a formal complaint in writing to the Customer Service Manager on any aspect of GPL's service. GPL must endeavour to resolve such complaints within the timeframe set in its Operating Standards & Performance Targets (OSPT), and such time frame depends on the nature of the complaint. Where the complaint relates to a disputed amount and GPL has good reasons to believe that the complaint is not frivolous the GPL at its discretion may opt not to disconnect the consumer's service pending an investigation of the complaint.
- (v) Any consumer who is dissatisfied with the decision of GPL after following the options outlined at (i) to (iv) above or if the complaint is not resolved with the time prescribed in the OSPT may make a complaint to the PUC.

N. *Is there any policy shift contemplated which would allow the PUC to regulate rates of electricity on behalf of the nation?*

The First Schedule to the Electricity Sector Reform Act 1999 (ESRA) titled "*Rates for the Supply of Electricity and Services and Rate Adjustment Mechanism*" and the First Schedule to GPL's Licence detail the mechanisms, formulae, principles and procedures for calculating and determining electricity rates. The formula is set on the underlying principle that return will be awarded only for the efficient use of assets. The formula sets out in detail all the elements of the rate base.

On an annual basis GPL computes its electricity rates based on the defined formulae and principles and that calculation is checked by an appointed independent firm of accountants (IFA). Where the calculation is in compliance with the prescriptions of the Licence, the IFA issues a Certificate of Compliance. The First Schedule of ESRA provides for the PUC to make

a determination on rates only if the IFA issues a Certificate of Non-Compliance and GPL and the IFA are unable to resolve any differences.

The tariff formula also provides for quarterly adjustments where there is a shift equal to or greater than 3% in the price for fuel or foreign exchange.

Since 2003 GPL has been foregoing substantial tariff increases.

- O. *Is there any restriction for back billing customers and if there is, does it not conflict with the provisions of the PUC Act?*

Clauses 6.3 & 6.4 of the ST&C provide that in the event of unauthorized interference whereby electricity could have been consumed without being properly metered, GPL has the right to estimate the unrecorded consumption for a retrospective period not to exceed twenty – four (24) months. The unmetered consumption is estimated based the consumer's installed capacity and previous usage pattern.

Such unmetered consumption is often detected during routine inspection, investigations resulting from reports made by civil minded consumers and where there is unrealistic consumption pattern. To determine if current is illegally being diverted from the meter a clamp-on ammeter is used to measure the current passing through the service cable, while another clamp-on is used to measure the current that is passing through the meter terminals. The two readings should be the same. If the current through the meter is substantially less than that flowing through the service cable then current is being diverted by some means. GPL has agreed in principle with the PUC to limit the period for back billing to one (1) year. GPL's Standard Terms & Conditions govern the relationship between GPL and its customers. This does not conflict with the PUC Act.

- P. *Please brief the committee on all plans for alternative energy over the next 10 years.*

Government will continue to encourage the development of its renewable resources, including wind, solar, biomass and hydro by private developers / investors and endorses the benefits associated with alternative energy sources viz:

- Reduction in global warming and the greenhouse gas effect;
- Reduction in foreign exchange associated with the importation of fuel;
- Reduced dependency on fossil fuel and protection from unpredictable and rising fuel prices on the world market; and
- Promotion of a 'green image'.

- (a) With regards to development of wind power, Government entered into a Memorandum of Understanding with DELTA CARIBBEAN N. V. of Curacao in October 2001 which granted the developer exclusive rights to conduct feasibility studies and wind measurements at Hope Beach. The developer is currently negotiating a Power Purchase Agreement with the Guyana Power & Light Inc., including price for power and other technical requirements.

The wind farm is expected to have 13.5 MW of power installed and its production will average approximately one-third of that capacity which will be sold to the national grid. In addition, the developers will finance part of the 69 KV transmission line. Commercial Operation Date for the wind power is fourteen months from the date of contract signing, which is anticipated late 2008.

- (b) Synergy Holdings Inc., headed by an overseas based Guyanese has demonstrated sustained interest for more than ten (10) years in developing the Amaila Falls Hydroelectric Project (AFHEP). The Project constitutes the development of a 100 MW hydroelectric power plant to supply electricity to the national grid and 296 kilometers high voltage transmission line. In July 2002 Synergy Holdings was granted the rights


to develop the AFHEP under the terms of an Interim Licence which currently expires in April 2008. The Interim Licence requires Synergy Holdings to complete certain activities, including negotiation of engineering; procurement and construction (EPC) contract and conclude financial closing and pre-closing activities for the development of the AFHEP prior to the grant of a Final Licence.

- (c) In addition to the Amaila Falls Hydroelectric Project, Government has also received considerable interest in the development of the Country's hydro power resources including:
- A Trinidadian firm ENMAN Services Ltd., has been granted a period of exclusivity until July 31, 2008 to carry out studies on the feasibility of the Turtruba site.
 - In February 2007 the Government signed an MOU with Guyana Goldfields Inc. which grants the company an exclusivity period of two (2) years to conduct the feasibility study on the development of a hydropower plant to initially supply 35 MW electricity to its mining site at Aurora.
 - In February 2007 the Government granted RUSAL exclusive rights for an initial period of three (3) years to conduct a pre-feasibility study of the Sand Landing; Mazaruni River site. It is intended that the power produced would supply an aluminum smelter.
- (d) GUYSUCO is set to commission a 10 MW of steam power plant for the Berbice system utilizing bagasse.

Government has developed a Hinterland Electrification Strategy which addresses the use and potential for renewable energy sources. This document could be downloaded from the website www.electricity.gov.gy.

Q. Please indicate Government's immediate plans regarding the Linden cost of electricity.

The average household monthly consumption of electricity in Linden is 320 kWh compared to 150 kWh on GPL's grid. Government's proposal for converging electricity rates with GPL's rate over time is as a first step to offer the first 100 kWh to residential consumers at the current rate of G\$5.00 per kWh and to commercial and other categories of consumers at the current rate of G\$12.00 per kWh. The remaining consumption will be billed at GPL's current tariff. This same principle will apply to GUYMINE and LINMINE pensioners who will receive the first 100 kWh at no charge and any consumption above that at GPL's current rate.


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Bharat Dindyal
CEO (Ag.)—GPL

GPL Matrix Appendix III

Questions	Answers	Positions /ESC Members	Remarks
<p>A. Are there any policy documents/plans which set out Government's plans for the Fossil Fuel Generation of Energy over the next 5 to 10 years? If so, could these be made available to the Economic Services Committee?</p>	<p>a)Yes, GPL publishes an annual and five-year Development and Expansion Programme which incorporates a generation plan that reflects our intention to realize 100% utilization of renewable energy sources. GPL's 2008- 2012 Development & Expansion Programme. Exhibit 1.pages 18-37</p>	<p>a) In light of the challenges facing GPL the ESC wanted to know what plans the entity had to turn the organization around, if the present tariff was adequate and what were the sources of funding available. pg 60 verbatim record.</p>	<p>a) The Prime Minister in responding highlighted different areas in GPL's five year Development Plan as reference. The plan points out that between 2009-2012 reliance on fossil fuel will be greatly reduced, producing 38mw of electricity in 2012-of which 30mw is interim power. Reliance will be on Hydro-100mw, Bagasse-10mw and Wind-4mw in the year 2012. pg 20 of the 2009-2012 plan. GPL's Chairman- posited that if government provides the funds there will be no tariff hike. pg 61 of verbatim record.</p>
<p>B. What is the projection for consumption of electricity in Guyana over the next 5 to 10 years? How does the Government propose to meet those projected needs? In this regard it will be helpful to highlight the contribution from hydro, wind, solar and ethanol.</p>	<p>b) Attached as Exhibit 1 is the demand forecast from GPL's D&E Programme and a projected dispatch schedule. In this plan no power is projected to be coming from solar or ethanol sources. See pgs 18-20</p>	<p>b) The ESC felt that there was a need to be provided with information on the challenges GPL faces in light of the global issues of food shortages and high fuel prices as well as the impact this will have on investment in hydro or solar power. Pgs 34-36 & 43-44 verbatim record</p>	<p>b) The Prime Minister spoke on the challenges to attract an investor for the hydro project giving demand for electricity, rate of return agreement and finance as some of the issues to be overcome. He also pointed out that solar energy is already in use in Guyana in four hinterland villages. Pgs 36-40 of verbatim record</p>

C. What is the current level of demand for electricity and what is the current level of supply broken down as the supply from Guyana Power and Light Inc. (GPL), or any other sources?

c) The current demand for electricity from GPL's customers is 85MW. GPL current available capacity is 131MW. Guysuco will have a total installed capacity of 40MW; 10MW of HFO fired diesel capacity and 30MW of co-generation capacity.
See table 3.21 in Exhibit 1 pg 20
The current demand includes the different losses.

D. What is the current cost of production of electricity by Guyana Power and Light Inc. (GPL)

d) Refer to tables on page 2 in the GPL answer sheet

E. What is the projected cost of production of electricity to the National Grid including the Skeldon Project and from other sources?

e) Refer to table on page 3 in the GPL answer sheet
GPL has no purchase agreement as yet with GUYSUCO, but provides the fuel oil and pays Wartsila to supervise for now.

The remainder of the loan for the second phase of the UAEP is delayed due in part to the non- attainment of a few objectives in the first phase.

c) As supplied – Demerara **71.9mw**, with **15mw** reserve capacity.
Berbice- **15.2mw**, with **10mw** reserve capacity but is projected to have a **1.8mw** shortfall in 2008.
Exhibit 1 pgs 19-20.

d) The Committee did not comment on the answer provided.

d) The average cost of production as of the first quarter of 2008 was **G\$ 36,425** per mwh across all locations or **17.68 US** cents per kwh across all locations. Answer (table)

e) Some Members of the ESC expressed concern about GUYSUCO's ability to reliably supply electricity to the National Grid given the shortage of cane (bagasse) to supply the factory.
Pgs 31-32 verbatim record.

e) The Prime Minister stated that with the use of advanced technology in the new factory and crop upgrade, GUYSUCO could be in a better position to supply the national grid.
Pgs 32-33 – verbatim record.
Projected cost for electricity production to the national grid by source-
Diesel oil-.337US\$/ kwh,
HFO-.192US\$/ kwh,
Hydro-.0795-.1023US\$/ kwh,

<p>F. What is the current level of loss of power produced - commercial and non commercial- and what is being done to arrest such losses?</p>	<p>f) Losses at the end of April 2008 were 33.2% on a twelve month rolling average, 11.4% of this is estimated to be technical losses. In its 2008-2012 Development and Expansion Programme a very detailed loss reduction programme is included. See Exhibit 1 pages 9-15 & 26-31</p> <p>Also see pages 26-30 in the verbatim record.</p> <p>GPL also made available a copy of the Powder Planning Associates LTD Report on Line Loss done for GPL in 2006. This study was paid for by the IDB and is the basis of the loan for the Unserved Areas Electrification Programme</p>	<p>f) The ESC continues to be concerned about the targets for the technical and non-technical losses at GPL, not being met. Pgs 25-31 verbatim record</p>	<p>wind-.09US\$/kwh and Co-generation - .10 US\$/kwh. Answer (table)</p> <p>f) The Prime Minister responded, by stating that the technical losses will have to be reduced through investment in transmission and distribution and that work in this area was ongoing. He cited a US \$40m expansion programme to come on stream soon as an example. On the issue of commercial losses he posited that the culture of electricity theft has to change. pgs 26-28, 48 of verbatim record.</p> <p>GPL in its D&E Programme 2008-2012 has outlined a work plan to install an average of about 18000 prepaid meters from 2009-2012 to impact on non-technical losses, as well as install a new customer information system. Pgs 32-34 of the plan Total losses are projected to be reduced from 33.4% in 2007 to 14.65% in 2012. Pg 26 of the plan.</p>
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<p>G. What is the basis on which Guyana Power and Light Inc. (GPL) obtains its petroleum needs?</p>	<p>g) GPL's fuel is procured from PetroTrin and STAATSOLIE (State Oil of Suriname). STAATSOLIE owns the vessel which is chartered to uplift fuel from PetroTrin. GPL pays for fuel shipments in advance.</p>	<p>g) The Committee had no issue with the answer provided</p>	<p>g) nil</p>
<p>H. What was the level of employment at Guyana Power and Light Inc. (GPL) at the end of December 2007, and at the present time? What is the projection for employment by the end of 2008 and kindly show on a diagram what is the employment structure (together with numbers) at the GPL.</p>	<p>h) Refer to pages 3 and 4; table 4 on the GPL answer sheet</p>	<p>h) The Committee had no issue with the answer provided</p>	<p>h) Employment levels at 31st Dec. 2007 were 1304, of which 70 are contracted workers. Employment at 31st Dec. 2008 is projected to be 1183. Answer (table)</p>
<p>I. How much money has been spent so far on the unserved areas electrification programme? Which areas are now being served under this program? What has it cost to bring each area into the served programmes and, what is the sum of money being collected as revenue from each of these new areas?</p>	<p>i) 1. \$1,678 MUS has been spent so far on the unserved areas electrification programme comprising of:</p> <ul style="list-style-type: none"> • \$866 M spent on Phase 1 of the IDB/GOG funded UAEP that has provided electricity for 15,131 lots in 63 housing areas - see Table 1 in the answer sheet pg 4 • \$812 M spent by GOG to 	<p>i) The Committee did not ask questions on this issue.</p>	<p>i) Only 30% of the consumers have taken up legal services and this is of concern to the IDB. A loan of US\$6.4 M from the IDB, matched with funds from the Government of Guyana funds was air marked to be invested in GPL to address Non Technical losses from 2007-2010 under the UAEP.</p>

<p>J. Kindly supply the audited or any other financial statements of GPL over the last 5 years. Kindly indicate the major debtors and creditors together with the relevant amounts owed over the same period and the amounts involved.</p>	<p>provide electricity for 22,392 lots in 48 housing areas – see Table 1. pg 4 in the answer sheet</p> <p>2. Areas being served under the UAEP and GOG programs are listed in Tables 11 and 111 respectively, on pgs 7-10 in the answer sheet.</p> <p>3. Consumer Capital contributions from the areas are provided in Table 1, and total G\$ 125.15 M. Refer to page 4; table 1.in the answer sheet. Collections from UAEP Areas-see Exhibit V (Areas 12 of 77). Collections from GOG financed Areas – see Exhibit VI (Areas 25-78).</p> <p>j) The issue of continuing with this programme according to GPL is not only to deal with loss reduction but also with Government’s Poverty Reduction Policy.</p> <p>See audited financial statements for the years 2003-2007 attached as Exhibits VIII-X11. Refer to table on pages 10-13 in the answer sheet</p>	<p>j) The Committee had no problem with the financial statements supplied.</p>	<p>However, along with the low service taken up under the UAEP, one of the concerns of the IDB continues - the prevalence of electricity theft. The main thrust of GPL’s Non Technical Loss Reduction plans are the second phase of the UAEP and the introduction of prepaid meters. See GPL’s Development Plan 2008-2012 pg 32-34.</p> <p>j) nil</p>
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<p>K. Are there any special arrangements for the supply of, and payments for, electricity to the residences/ businesses of directors and employees of the company?</p>	<p>k) There is no special arrangement for the supply of electricity to residences or businesses of employees or Directors. Permanent staff at GPL enjoys a staff rate which is 10% less than the applicable residential tariff. Note that staff rate is only allowed for residences. Most staff has deductions made from their salary towards their electricity account. No payment is being made by the Company towards the electricity account of any employee, Manager or Director. Answer sheet, see pages 37-39 in the Exhibit 1.</p>	<p>k) nil</p>	<p>k) nil</p>
<p>L. What are the proposals, if any, for the privatization of this entity and for private sector involvement in the provision of electricity in the future?</p>	<p>l) The government has developed a strategy paper which speaks to this issue. In essence the Government will continue to promote and encourage private participation in GPL by the private sector through power supply arrangements and outsourcing of transmission, distribution and commercial services. The government has no defined plans to privatize the Guyana Power and Light, Inc. through equity investment in the medium term but reserves the option to review its position in the future by which time the utility's system performance</p>	<p>l) Some ESC members expressed the view that the proposed Amalia Hydro Power Project continues to face a number of problems and that it is not easy to get information about the project. pgs 74-82 of verbatim record</p>	<p>l) The chairman GPL, has given assurances that the arrangement for the private sector to provide hydro electricity is moving apace and it will come at a price that is good in the long run. pg 77 .of verbatim record He also said that letters have been exchanged and despite increased cost and price issues the parties are looking at a compromise position.-</p>

<p>M. What is the system used by GPL for responding to complaints by its customers about over billing, disconnections, re-connections etc?</p>	<p>would have improved as a result of capital investments. At this point the GPL would have achieved the level of performance required to attract investors. Answer sheet, also see pages 18-22 in the GoG Strategy for Sustaining GPL</p> <p>m) (i) Consumers may visit any of GPL's commercial offices and speak with the Customer Services Clerk about their complaint. These complaints / queries generally relate to billing, payments, service connections and re-connection;</p> <p>(ii) Consumers may make queries to GPL by telephone, letters or by E-mail. Complaints will be recorded and addressed by the Customer Service Section and a reply will be sent to the customers through the same channel;</p> <p>(iii) Walk in consumers who are dissatisfied with the responses provided by the Customer Service Clerks may seek the assistance of the Supervisors or Commercial Officers.</p>	<p>m) The ESC expressed concerns on GPL's position as it relates to the entity's dealings with complaints from consumers. pg 81-84 of verbatim record</p>	<p>pg 79 of verbatim record</p> <p>m) The acting CEO of GPL posited that the present customer information system was not designed for all the related issues the company is confronted with. pg 83 verbatim record</p> <p>In 2009 a new Consumer Information System – Installation & Testing – should be completed. pg 33 D & E Programme</p>
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	<p>If the consumer is still dissatisfied with the outcome the consumer will be advised of and provided with a copy of the GPL's Complaint Resolution.</p> <p>(iv) Consumers may make a formal complaint in writing to the Customer Service Manager on any aspect of GPL's service. GPL must endeavour to resolve such complaints within the time frame set in its Operating Standards & Performance Targets (OSPT), and such time frame depends on the nature of the complaint. Where the complaint relates to a disputed amount and GPL has good reasons to believe that the complaint is not frivolous the GPL at its discretion may opt not to disconnect the consumer's service pending an investigation of the complaint.</p> <p>(v) Any consumer who is dissatisfied with the decision of GPL after following the options outlined at (i) to (iv) above or if the complaint is not resolved within the time prescribed in the OSPT may make a complaint to the PUC.</p>		
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GPL has pointed out that unsatisfactory resolution of any issue referred to it by the PUC can also be settled by a tripartite grouping inclusive of all stakeholders to arrive at a consensus position.

N. Is there any policy shift contemplated which would allow the PUC to regulate rates of electricity on behalf of the nation?

n) The first Schedule to the Electricity Sector Reform Act 1999 (ESRA) titled "*Rates for the Supply of Electricity and Services and Rate Adjustment Mechanism*" and the First Schedule to GPL's Licence detail the mechanisms, formulae, principles and procedures for calculating and determining electricity rates. The formulae are set on the underlying principle that return will be awarded only for the efficient use of assets. The formula sets out in detail all the elements of the rate base.

On an annual basis GPL computes its electricity rates based on the defined formulae and principles and that calculation is checked by an appointed Independent Firm of Accountants (IFA). Where the calculation is in compliance with the prescriptions of the Licence, the IFA issues a Certificate of Compliance. The First Schedule of ESRA provides for the PUC to make a determination on rates only if the IFA issues a Certificate of

n) Some ESC members were concerned that the PUC is seen as playing a reduced role as it relates to regulating the activities of GPL. pg 50-57 verbatim record

n) The Chairman of GPL and the Prime Minister did explain the functions of the PUC as it relates to GPL in the efforts to debunk the view that there is a policy shift. pg 50-57 of verbatim record. The Prime Minister specifically said that the PUC has a role to play, but that role is with constraint. pg 56 of verbatim record

<p>O. Is there any restriction for back billing customers and if there is, does it not conflict with the provisions of the PUC Act?</p>	<p>Non-Compliance and GPL and the IFA are unable to resolve any differences.</p> <p>The tariff formula also provides for quarterly adjustments where there is a shift equal to or greater than 3% in the price for fuel or foreign exchange.</p> <p>Since 2003 GPL has been foregoing substantial tariff increases.</p> <p>o) Clauses 6.3 & 6.4 of the ST&C provide that in the event of unauthorized interference whereby electricity could have been consumed without being properly metered, GPL has the right to estimate the unrecorded consumption for a retrospective period not to exceed twenty-four (24) months. The unmetered consumption is estimated based on the consumer's installed capacity and previous usage pattern.</p> <p>Such unmetered consumption is often detected during routine inspection, investigations resulting from reports made by civic minded consumers and where there is unrealistic consumption pattern. To determine if current is illegally being diverted from the meter a clamp-on ammeter is used to measure the current that is passing</p>	<p>o) The ESC members expressed concern with the practice of back billing by GPL over a long period and estimated billing. pg 57-58 of verbatim record</p>	<p>o) The Chairman of GPL argued that the entity continues to function under the guidelines of the ESRA of 1996 and PUC Act of 1999 and the regulations there in. pg 52 and 58 of verbatim record.</p> <p>The CEO of GPL pointed out that Article 6.4 and Schedule Three of the standard terms and conditions, gives GPL the authority to backdate bills and estimate bills. Pg 58 of verbatim record</p>
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<p>P. Please brief the Committee on all plans for alternative energy over the next 10 years.</p>	<p>through the meter terminals. The two readings should be the same. If the current through the meter is substantially less than that flowing through the service cable then current is being diverted by some means. GPL has agreed in principle with the PUC to limit the period for back billing to one (1) year. GPL's Standard Terms & Conditions govern the relationship between GPL and its customers. This does not conflict with the PUC Act. See verbatim pgs 50-58</p> <p>p) Government will continue to encourage the development of its renewable resources, including wind, solar, biogas and hydro by private developers / investors and endorses the benefits associated with alternative energy sources viz:</p> <ul style="list-style-type: none"> • Reduction in global warming and the greenhouse gas effect; • Reduction in foreign exchange associated with the importation of fuel; • Reduced dependency on fossil fuel and protection from unpredictable and rising fuel prices on the world market and; • Promotion of a 'green image'. 	<p>p) Some ESC members expressed the view that the issue of alternative energy to power the national grid appeared to be a far way off, given the information available. pg 24,31,68,72 of verbatim record</p>	<p>p) The Prime Minister gave assurances that with the use of improved technology, GUYSUCO would be able in time to deliver electricity to the National Grid. Pg 32 of verbatim record. As it relates to Hydro, he posited that increase cost was and is an issue for that project.</p> <p>The Chairman of GPL has noted that Synergy now has new partners, Sight Global, who has experience with such projects. He said that the</p>
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	<p>(a) With regards to development of wind power, Government entered into a Memorandum of Understanding with DELTA CARIBBEAN N.V. of Curacao in October 2001 which granted the developer exclusive rights to conduct feasibility studies and wind measurements at Hope Beach. The developer is currently negotiating a Power Purchase Agreement with the Guyana Power & Light Inc., including price for power and other technical requirements.</p> <p>The wind farm is expected to have 13.5 MW of power installed and its production will average approximately one-third of that capacity which will be sold to the national grid. In addition, the developers will finance part of the 69 KV transmission line. Commercial Operation date for the wind power is fourteen months from the date of contract signing, which is anticipated late 2008.</p> <p>(b) Synergy Holdings Inc., headed by an overseas based Guyanese has demonstrated sustained interest for more that ten (10) years in developing the Amalia Falls Hydro-Electric Project (AFHEP). The project</p>		<p>new group has the money, and has indicated its willingness to invest in hydro. pg 76 of verbatim record</p>
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constitutes the development of 100 MW Hydro-Electric power plant to supply electricity to the national grid and 296 kilometers high voltage transmission line. In July 2002 Synergy Holdings was granted the rights to develop the AFHEP under the terms of an Interim Licence which currently expires in April 2008. The Interim Licence requires Synergy Holdings to complete certain activities, including negotiation of engineering; procurement and construction (EPC) contracts and conclude financial closing and pre-closing activities for the development of the AFHEP prior to the grant of a Final Licence.

(c) In addition to the Amalia Falls Hydro-Electric Project, Government has also received considerable interest in the development of the country's hydro power resources including:

- A Trinidadian Firm ENMAN Services Ltd., has been granted a period of exclusivity until July 31, 2008 to carry out studies on the feasibility of the Turtruba site.

- In February 2007 the Government signed MOU with Guyana Goldfields inc. which

	<p>grants the company an exclusivity period of two (2) years to conduct the feasibility study on the development of a hydro-power plant to initially supply 35 MW electricity to its mining site at Aurora.</p> <p>- In February 2007 the Government granted RUSAL exclusive rights for an initial period of three(3) years to conduct a pre-feasibility study of the Sand Landing; Mazaruni River sight. It is intended that the power produced would supply the aluminum smelter.</p> <p>(d) GUYSUCO is set to commission 10 MW of steam power-plant for the Berbice system utilizing bagasse.</p> <p>Government has developed a Hinterland Electrification Strategy which addresses the use and potential for renewable energy sources. This document could be downloaded from the website www.electricity.gov.gy See pages 8,9,20&21 in Exhibit 1</p>		
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<p>Q. Please indicate government's immediate plans regarding the Linden cost of electricity.</p>	<p>q) The average household monthly consumption of electricity in Linden is 320kWh compared to 150kWh on GPL's grid. Government's proposal for converging electricity rates with GPL's rate over time is as a first step to offer the first 100kWh to residential consumers at the current rate of G\$5.00 per kWh and to commercial and other categories of consumers at the current rate of G\$12.00 per kWh. The remaining consumption will be billed at GPL's current tariff. This same principle will apply to GUYMINE and LINMINE pensioners who will receive the first 100 kWh at no charge and any consumption above that at GPL's current rate.</p>	<p>q) Some ESC members expressed concern about secrecy as it relates to the content of the MOU between the Government of Guyana and RUSAL relating to a hydro project in the Upper Mazaruni to produce electricity for its Linden operations. Pg 85 verbatim record</p>	<p>q) The Chairman of GPL in noting the Committee's concern posited that some of the information requested was of a commercially sensitive nature. Hence, the agreement has confidentiality provisions which prevents the MOU from been made public. Pg 85 verbatim record</p>
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Please note that the comments (**smaller font**) in the answer column were provided by the researcher after reading the additional documents provided by GPL and having an interaction with the acting CEO of GPL on 23-7-2008.

The column named 'position' has a summary of the Committee's position on the questions it provided to GPL. The verbatim of GPL's presentation was used to extract this information.

*Committees Division
Parliament Office.*

27th April, 2009.

APPENDIX IV

PARLIAMENTARY SECTORAL COMMITTEE ON ECONOMIC SERVICES

RECORD OF PROCEEDINGS of the 30th Meeting of the Parliamentary Sectoral Committee on Economic Services for the 1st Session of the 9th Parliament of Guyana (2006-2008); held in the Committee Room No 1, Committees Division, Public Buildings, Georgetown.

AT 9:30H

TUESDAY, 11 JULY 2008

MEMBERS (7)

CHAIRMAN (PNCR-1G) (1)

(Nominated by the Committee of Selection on 14 December 2006)

(Elected by the Committee on 16 January 2006)

Mr Anthony Vieira MS, MP

Vice Chairperson (PPP/C) (1)

(Nominated by the Committee of Selection on 14 December 2006)

(Elected by the Committee on 16 January 2006)

Ms Gail Teixeira

Members from the People's Progressive Party/Civic (PPP/C) (3)

(Nominated by the Committee of Selection on 14 December 2006)

Mr Mohamed Irfaan Ali MP

Mr Komal Chand CCH, JP, MP

(Absent-excused)

Mr Dharamkumar Seeraj MP

Mr Mohamed F Khan J.P, M.P *(Alternate)*

Other Members from the People's National Congress Reform-One Guyana (PNCR-1G)(2)

(Nominated by the Committee of Selection on 27 December 2006)

Mr Winston S Murray CCH, MP

Mr Dave Danny MP *(Alternate)*

(Absent)

Members from the Alliance for Change (AFC) (1)

(Nominated by the Committee of Selection on 14 December 2006)

Mr Khemraj Ramjattan

Officer

Clerk of Committee - Ms Sherene Warren

In Attendance

Asst Clerk of Committee - Ms Sueanna Reynolds -

Asst Clerk of Committee - Mr Nickalai Pryce -

Documentation and

Preparation Officer - Mr Eton Moses

9:30H

**30TH MEETING OF THE PRLIAMENTARY SECTORAL COMMITTEE ON
ECONOMIC SERVICES**

[Mr Gail Teixeira, Vice-Chairperson assumes the Chair]

ANNOUNCEMENTS -None

EXCUSES

I would like to advise that Mr Komal Chand has asked to be excused, he is overseas and I do not have excuses from anybody else.

CIRCULATION OF DOCUMENTS

The following documents were circulated prior to the meeting:

- (i) Notice of the 30th Meeting dated 3 July 2008;
- (ii) Minutes of the 29th Meeting held on 20 June 2008;
- (iii) Copy of Letter dated 18 June 2008 to the Chief Executive Officer, GUYSUCO, re Invitation for Chairman and Executives of the Board of GUYSUCO to appear before the Parliamentary Sectoral Committee on Economic Service; and
- (iv) Copy of questions to GUYSUCO from the Parliamentary Sectoral Committee on Economic Services

BUSINESS OF MEETING:

- (i) Correction and Confirmation of the 29th Meeting held on 20 June 2008;
- (ii) Matters Arising; and
- (iii) Presentation by the Chairman and executives of the board of the Guyana sugar corporation (GUYSUCO)

Any Other business

CORRESPONDENCE

Incoming: NIL

Outgoing:

Copy of letter dated 18 June 2008 to the Chief Executive Officer, GUYSSUCO, re Invitation for Chairman and Executives of the Board of GUYSSUCO to Appear before the Parliamentary Sectoral Committee on Economic Services

Vice-Chairperson: Okay, good morning again, Mr Vieira is on his way in and as normal when we invite a agency in for hearing and we try to just go through quickly how we will handle the Meeting.

We have the Minutes of the previous meeting as well.

Winston S Murray: Mde Chairperson, I think this is not a matter for the Press to be excused while we conduct our internal business. This is not a matter for Press; the Press can be invited when we are ready for that part of our meeting.

Vice-Chairperson: The Committee is opened to the Press unless we so determine.

Winston S Murray: Well, it is up to you.

Vice-Chairperson: So I was just going to have to abide. We only get the Press here when there is a hearing. When we have our normal meeting the Press is not interested in what we do. So having after seeing the Press here this morning; we hope that they will come to the meetings more often when is open to them so they can see ... sometimes the more mundane things we do are being done and not the high profile things, but anyway I just want to go through some more modalities as I am holding for Mr Vieira, he will come and take the chair.

(i) CORRECTION AND CONFIRMATION OF MINUTES OF THE 29TH MEETING HELD ON 20 JUNE 2008

I just want to ask the Committee's guidance. We have Minutes of the last meeting on 20 June, do you wish to put this on hold until after the presentation by GUYSUCO? Would prefer to do that? Gentlemen, can I have a yes or no?

Mr Mohamed F Khan: Mde Chairperson, I think so, we should.

Vice-Chairperson: So defer the Minutes of the 20 June until after the presentation by GUYSUCO. Okay, thank you.

[Minutes Deferred]

Do we now wish to invite GUYSUCO in, but before we do that, I think everybody has a copy of the letter that was sent to GUYSUCO and the questions that was sent to them in advance. The normal procedure is that we invited them to make a preliminary presentation, because they have gotten all this before and from the Committee's Division. Do they have any multi-media thing they need, any projector, have they asked for anything like that?

Clerk of Committee: No

9:35H

[The Chairman, Mr Anthony Vieira arrives]

Vice-Chairperson: They have not asked for that. Okay, fine, Mr Vieira I was just about to start, I was just holding the fort for you.

The Chairman: Okay. that was very kind of you

Vice-Chairperson: No, all the Press was here, so what we will do as we normally do. Invite them to make a presentation and then we will have the questions. Anybody have a problem with that? Let me hand over to Mr Vieira. Thank you very much.

[Vice-Chairperson withdraws and the Chairman assumes Chair]

The Chairman: Let me introduce myself first. Good morning ladies and gentlemen of the media and Members of the Committee. Honourable Members,

I apologised for being late; my car broke down and I had to drive an old jeep, hence I am perspiring, no air-conditioning in the car. So therefore without much further ado I think we should simply invite members of the GUYSUCO team to present their evidence. Did they give written answers to these questions?

Hon Gail Teixeira: Yes, they did.

The Chairperson: Have they presented it now?

Clerk of Committee: No, they will probably do that. Minister Robert Persaud is there

The Chairman: Yes, I know.

(iii) PRESENTATION BY THE HONOURABLE MINISTER OF AGRICULTURE, HON ROBERT PERSAUD AND DELEGATION FROM GUYSUCO

Members of the Team:

- | | | |
|------------------------|---|--|
| <i>Mr Ronald Ally</i> | - | <i>Chairman, Board of Directors</i> |
| <i>Mr Nick Jackson</i> | - | <i>CEO</i> |
| | - | <i>Corporate Planner</i> |
| | - | <i>Finance Director of the Corporation</i> |

The Chairman: To the GUYSUCO team, I want to welcome you to the Economic Services Committee Meeting. Thank you for responding to our invitation. We did note, however, that some of the questions be clarified in writing prior to the meeting so that we would be prepared for any information that maybe put our way and in fact those have not been forthcoming. We were wondering whether we can start with an explanation as to why these questions have not been answered and we could be better prepared to response to them.

Hon Robert M Persaud: Thank you very much Mr Chairman and Members of the Economic Services Committee. First of all on behalf of the Board of Directors and Management of GUYSUCO and the Government given us this opportunity to shed some light on current developments within the Corporation and that is why as much as possible be available to this Committee, so that you can be updated on progress and also be updated on the challenges we face as we strive to carry out the restructuring plan and the modernizing plan that we have for the industry.

In reference to your question about the presentation that you are requiring, we will undertake to do so at a subsequent date, but those questions if you ask them we will try to address them as we speak. The reason why we could not have given all the details, we did not what to provide you with the document that was still lacking or had short on some of the information that we will want you to have, but because we are in the middle of discussions with the EU on finalizing our business plan and some the information that you were requesting will have to flow from what the final decisions and outcome of the business plan would be. So we did not what to give you information at a later date you may find that it has changed and less we would be accused of misleading the Committee. But, based on the information we have today, we are prepared to answer those questions and once we finalized the details in the business plan, we would be able to give you that information.

The Chairman: Minister, with all respect the kind of information we were asking for were like:

- the rainfall figures for Skeldon;
- the loading of punts per day at Skeldon and at other Estates,
- the anticipation of the amount of canes available currently for the Skeldon Factory.

These questions cannot possible prejudice any discussions the Government might have with the European Union and therefore while I expect and

explanation, I do not do so u hesitatingly and without some measure of objection.

Hon Robert M Persaud: Well, what we done for the rainfall data that will be provided. We will distribute those, we have copies of those. We recognise as you pointed out that will not have any significant bearing on the document, but they are other bits of information as we go through in terms of numbers, in terms of some projections, source of financing and servicing of loans. Those are issues that go to the core of the business plan. But in terms of the rainfall data, we can give you that immediately; we have copies available to look at.

The Chairman: Thank you Minister, unless any other Member have any suggestions....

Mr Winston S Murray: Mr Chairman, I wish like you to express my disappointment that GUYSUCO did not find it possible to supply information and it not only about ... you have only given examples by way of the rainfall information, but there is a host of other information here and where they could not be answered, they could have put a little comment that said figures are currently being updated and at an appropriate time they will be supplied. But as of courtesy that would have been useful approach to have taken and we did ask for some documents, some specific documentation and again in advance of the meeting it would have sufficed if someone would do us the courtesy of writing a short note explaining what the situation was and then we would not have had appear now to be a face-off on this matter.

The Chairman: Ms Teixeira

Ms Gail Teixeira: I have a concern why we are deviating from our practice. This is the third presentation hearing we are having for the Committee. The first one was on the conservancy, questions were asked and when that happened Minister Robert Persaud and his team brought the documents here and were submitted here during the presentation.

We had the Prime Minister here on GPL and the energy issues just a month ago and again he was asked questions and submitted his answers or his documents at the presentation.

I am not quite sure why we seem to be sticking on this point with this presentation. Also the letter says it would be useful for us to receive the answers in writing, it does not say the Committee is mandating that GUYSUCO must put it in writing. Therefore, I think we are beginning this presentation in a very unhelpful way and I would like to ask the Chairman to kindly allow GUYSUCO to present and then as we close of or during the presentation insist on what we would like to have documented to us. Otherwise we are starting this presentation in a very unproductive and not constructive manner.

The Chairman: With due respect to the Minister and his team of GUYSUCO, the fact of the matter is that they are significant gaps in our understanding of the situation. For example, to add to the few areas of information...the audited or unaudited accounts for the Corporation. I think we would like to know how our Corporation has done since 2002, since in Parliament as it is required by the law I suspect to be submitted with no information as to the accounting of GUYSUCO. The annual reports have not be tabled in Parliament since 2002.

Ms Gail Teixeira: Where is the question?

Mr Winston S Murray: Mr Chairman, I cannot let what the Ms Teixeira go ...
[Interruption]

The Chairman: With regard to financial statements, Madame - Financial Statements mean the GUYSUCO's annual report.

Mr Winston S Murray: I cannot let Ms Teixeira say go un-responded to give the impression how there is a breach in the precedent. There is not. The Prime Minister did bring documentation and did submit documentation, which was shared out to us before he actually began his presentation. So that is what precedent establishes.

Secondly, the Committee said clearly in its letter that it would require the following documentation:

- (i) It says what it is - Skeldon expansion project document;
- (ii) Update on the document;
- (iii) Answers to the written questions - would require answers.

I agree that we do not need to be stuck over it, but we must all present factual information.

The Chairman: So Minister how shall we proceed? We have a list of questions and you are going proceed answering the questions or you are going to proceed with a general presentation and then you would address the questions after. How would you like it to be done Sir? At least I will give you the privilege of making that decision.

Hon Robert M Persaud: Thank you Mr Chairman, first of all, allow me introduce the Members of the team here. I did not do that we went into the procedures, quickly on my right is the Chairman of the Board of Directors, Mr Ronald Ally; on my left is the CEO, Mr Nick Jackson; and immediately behind him is the Corporate Planner and directly behind me is the Finance Director of the Corporation.

We are here to serve at you pleasure in whatever format you suggest we will proceed with, we are aware of the questions and the points and probably I will have no objections in us taking the questions as the Committee had proposed.

Let me just advise you on the concerns raised about annual reports, just to say that the 2004, 2005 and 2006 annual reports for the Financials have been completed; they are being printed and very shortly they will be tabled. Once we get them from the printer, we will endeavour to have that immediately brought to the attention of the Assembly.

The Chairman: Mr Murray

Mr Winston S Murray: Mr Chairman, I have a proposal as to how we should proceed. I think we should invite the Minister and his team to make a presentation bearing in mind the questions to the extent that the answers in the course of that presentation we do not have to come back to them. If they are any questions that are not answered in the course of the presentation then hopefully we may specifically return to them. So I think the invitation should be make a general presentation.

The Chairman: Please Mr Minister

Hon Robert M Persaud: I stand guided, you want to us to commence with the presentation?

The Chairman: Yes Sir.

Hon Robert M Persaud: Okay, I structured the presentation based on and be guided by the questions that you have asked. That I think will help us to move in the right direction.

The first issue or first concern regarding the break-down in terms of production per estate and also in light of the Skeldon factory and based on our numbers that we have available. We are looking from the:

- Berbice Estates for 2008 - 181,953 tonnes.
- Demerara Estates 102,861 tonnes giving us a total of 284,814 tonnes for 2008.

If we move a bit into the future, we can look at say 2010 where we anticipate the Berbice production will go up to 242,212 tonnes and Demerara Estate going up to 125,441 tons giving us a total of 367,453 tonnes for 2010.

If we move up to 2016 and I am using 2016 as the outer year, because that is the period of our business plan; we are looking at Berbice Estates producing 289,467 tonnes; Demerara Estates 156,451 tonnes giving us a total of 445,918 tonnes.

I am quite sure that will address the anticipated production numbers from the Berbice and Demerara Estates. We will provide and I can give you if you want specific numbers for specific Estates that can be provided. But I aggregated it based on the Demerara operations and the Berbice operations.

The Chairman: Minister, if it is not too much trouble might I ask you to do it ... the Demerara region we could leave it as it is as a lump, but we would like to know how the Skeldon expansion will impact on the industry and therefore it would be informative to have the Berbice Estates individually during that period.

Hon Robert M Persaud: Sure

The Chairman: Well for this year from *Skeldon* we are anticipating production to be 37,308 tonnes and then next year moving up to 68,127 tonnes and in 2010 - 88,839 tonnes and if we move all the way to 2016 it would be 112,651 tonnes that is from the Skeldon Estate .

Albion this year we anticipate 64,246 tonnes, next year that will go up 65,194 tonnes and by 2016, we hope to see that number growing to 81,965.

Rose Hall we are projecting 42,951 tonnes, next year 43,012 tonnes and then by 2016 projected production 52,002 tonnes.

Blairmount Estate this year is 37,447 tonnes and next year anticipating a drop at Blairmount to 34,851 and then by 2016 - 42,849 tonnes.

So that is how the numbers for the *Berbice Estates* are looking and that is how we are projecting them to move in terms of the increase in production. So we are looking at Berbice from 181,953 this year to 289,467 by 2016 and we hope by next year will be able to achieve 211,184 tonnes. The issue is where we are getting the cane from the quantity in terms of sugar cane required for that output and the proportion of canes to be supplied by private cane farmers.

For *Skeldon* this year we require 470,255 tonnes of cane; next year the number should reach about 781,844 tonnes and then by 2016 we are looking at 1,138,512

tonnes that is over one million tonnes of cane moving from the current level of just about 470,255 tonnes..

For *Albion* if I can give you this year the cane required 684,710 tonnes and by 2016 we anticipate the amount of cane that will be required based on our projection in terms of sugar production 801,065 tonnes.

For *Rose Hall* the current requirement would be 511,000 tonnes and by 2016 that will go up to 578,947 tonnes.

For *Blairmount* this year will be 420,540 tonnes and we anticipate that going up to 448,536 tonnes by 2016 and if I can give you the aggregate number for Berbice this year will require just over 2,000,000 tonnes of cane and by 2016 what we will require is close to 3,000,000 tonnes or to be exact 2,966,000 tonnes by 2016.

For *Demerara* we can deal with that as you said in one number.

The demand for cane this year in *Essequibo* will be 1,200,000 tonnes just about and by 2016 we will require 1,600,000 tonnes, in fact above 1.6 million tonnes.

So the total sums for this year cane required will be 3,200,000 tonnes and by 2016 we will require 4,600,000 tonnes of sugar cane to produce sugar.

The numbers from the farmers if I can break that down for this year we are looking at just 15,769 tonnes that is for *Skeldon* and by 2016, we will require the farmers to produce close to 345,000 tonnes of cane.

For *Albion* the requirement from the farmers for this year would be just about 41,000 and by 2016, we are looking close to 57,000 tonnes.

For *Rose Hall*, the requirement currently is close to 52,000 tonnes and by 2016 close to 61,000 tonnes. We do not get any cane from private cane farmers from Blairmont nor are we projecting to receive any for the Blairmont Estate.

So the total cane production required from the private farmers for this year is close to 259,000 tonnes and by 2016 we anticipate that this number will grow close to 617,000 tonnes.

In terms of the amount that will be converted to refine sugar and the amounts that would be sold in package form, I can give you that if you look at the refine sugar our anticipation should be by 2011 we are looking at close to 100,000 tonnes. We would be producing 100,000 tonnes of refined sugar and there is a three percent difference between the raw and the refine so there will be a requirement of close to 103,000 tonnes of raw sugar that is required to produce the 100,000 tonnes that we have projected for 2011 and that number should go up to 120,000 tonnes by 2012. So those are the numbers required of sugar that we would need to produce the refine sugar.

In terms of our package sugar we are looking in terms of for export ... of we look for the European market, we are looking at package this year 2000 tonnes for North American Market 100 tonnes; for CARICOM market the package is close to 4,300 and there are also some bags sugar that is going to the CARICOM market which is close to 24,000 tonnes. That is generally the numbers we are looking at in terms of package and refine sugar.

Should I proceed or do I allow clarifications as I go along? I will be guided by the Members.

The Chairman: Please proceed?

Hon Robert M Persaud: The other issue of concern of interest has been a break down of the different markets and I think I attempted to do that and also a little bit of information on how we intend to dispose of the sugar output between the local market and the export market. For the domestic market for this year, will be providing 21,000 tonnes in bag sugar and close to 3,000 tonnes in package sugar taking the domestic sales close to 24,000 tonnes for the local market.

The export market we are looking close to 262,000 tonnes. So the tow numbers for this year would be 262,000 tonnes for export and close to 24,000 for the domestic market. And if we move all the way down to 2016 what our project is for the export market 421,000 tonnes and for the domestic market being about the same level as we are utilising currently. I must point out that the domestic

market would require refined sugar and we do hope that once we have a refinery, we will not need to import refined sugar, because there was some bit of confusion as to when the importation of refined sugar had occurred and this has been happening for many, many years and it is not something new, but because of the beverage and the food sector required refined sugar, which GUYSUCO does not produce - GUYSUCO facilitates these manufacturers and processors by importing the refined sugar. Once we start producing the refined sugar we will be able to supply the domestic market not only with the brown sugar (as we call it) but also the refined sugar.

In terms of the projected price that we are looking at the export price that I will be quoting will be based on the current world market price projection of twelve US cents and that in fact will be looking at the FUTURE. We have seen some of the FUTURE's Market Report for October 2008 to May 2011. We are looking at this going up in excess of sixteen US cents per pound, but if you look at the sales price for the European market, we can look at €474, but that will go down because of the price cuts. Next year that will go down to €409 per tonne and by 2010 €335 and that is when we will feel the full effects of the cut.

In terms of the North American market, we are looking in terms of bulk ... and I must say the bulk sugar we would €643 per tonne, package €698 that is in the European market. And if we move all the way to 2016, because the €474 that we are using would be the average of the different prices that I quoted, but if you want a breakdown ... *[Interruption]*

The Chairman: Euros per tonne.

Hon Robert M Persaud: Yes, Euros per tonne - so that is the average price of €474, but the bulk sugar has a different price and the package sugar has a different price and average price that we anticipate from the European market by 2016 would be €335, but again those numbers are based on the current twelve US cents per pound for sugar, but as I said based on the FUTURE's Market Report, we see that going above sixteen US cents.

In the US market this year we will get US \$400 per tonne and that price we anticipate will go right through to 2016. Again there is difference between what we get per package and also for bulk.

In Canada, well that is the average North American pricing.

In terms of the Caribbean market we are looking at \$517 to \$439 per metric tonne and that same pricing we are projecting for 2016. As I said all the prices that I am quoting indexed on the twelve US cents per pound, but that can change, fluctuate and we anticipated fluctuate in terms in a positive way going up to sixteen cents, but we have not factored in the sixteen US cents, but we are using what currently obtains.

As you know we do a bit of molasses and we will have to do much more. Currently for this year we are getting close to US \$90 per tonne from DDL ... when we sell in Barbados we are getting \$133 per tonne and some other markets as much as \$145. So we are supplying DDL, but we are getting the lowest price from DDL and we are projecting ... in fact the molasses price is to dip all around going down to about US \$85 in that regard.

In terms of our average cost of production, there is an interest in comparing 1998 with 2007. In 1998 our total cost per pound of sugar was US 20.87 cents. Last year our production cost went up to US 22.07 cents. I must point us that the production in 1998 was close to 254,000 tonnes; last year the production was above that close to 267,000 tonnes on average. The percentage of fixed cost for the two periods is more or less been stable, but we have seen in the increase in the price for 1998 to 2007 by 1.20, which is equivalent to just about five percent increase and if you look at the cost of inputs, fertilisers and what have you and the movements of those essential inputs of spares and machinery and so forth, and if you take into account the inflation and terms of how those prices have increased and look at our cost increase, you will see that we have been able to manage that and keep that below the movements in terms of what will be in the cost of inputs.

Let us look at fertiliser alone, last year it was somewhere in the region of US \$300 per metric tonne and this year we are producing the same at close to US \$900, but we have been able to manage that cost in spite of the inflationary factor driven by what we know is taking place globally.

The Chairman: I just want to ask what fertiliser you are talking about.

Hon Robert M Persaud: Urea. If you want to look at the current level of employment in the sugar industry, I must say that based on the work that we are doing for the business plan, we are still looking at the numbers for the individual Estates, but I can give you the macro numbers if you can bear with us.

This year we have our employment numbers just about 19,000; that would include those temporary workers as well as those who are fixed on the payroll and we see that going down by 2016 close to just about 14,000 persons.

Next year we see that dropping from 19,000 persons that we have employed to about 17,000. So each year from 2008 to 2016 is also in consistent with our business plan and the wider plan after modernisation, we see numbers going down.

I must say that no one will be displaced as a result of this plan. In fact we have a very aggressive programme to retrain persons so that they can be re-deployed if they so wish in the value-added areas of investment that we are making. Also we are training people to be part of the mechanisation programme that we have. Then you have to take into account the natural attrition too in that regard.

There is another concern in terms of the employment numbers and I can probably deal with that and then I can look at the investment. There was a question what was the level of employment in the industry in 1992 and what is the current level? In 1992, we had about 28,000 persons both on fixed as well as temporary employees. As you know this year's number is just over 19,000 persons. We must recall that this surge in labour ... and I should give an explanation for the 28,000 ... *[Interruption]*

The Chairman: Forgive me for interrupting you; you said the 19,000 is casual plus permanent workers.

Hon Robert M Persaud: Yes.

The Chairman: I think we should speak of permanent workers, because we want to know the Administrative structure of the place. The casual workers are workers who come or not come depending on how they feel. Therefore Minister if it is possible for you to give us the numbers of the actual workers who are employed by the Estate and to who you are obligated to provide out-of-crop work, et cetera.

Hon Robert M Persaud: The current average of the temporary is just about 4,000 persons so if you minus that we are looking at just about ...

The Chairman: 15,000

Hon Robert M Persaud: ... and then you have to do the deductions all through the numbers that we have. But let me go back to 1992 numbers, because as we know in 1990, the industry was in crisis, production had gone down close to 129,000 tonnes and then the decision was taken to bring Booker Tait back in a management capacity, and as a result a lot of rehabilitation work had to be done, and a lot of investments had to be made and hence the surge in the labour requirement. But since the rehabilitation a massive amount of work has been done, we see some stability in terms of stability and our plans to go up. Certainly that would explain why it is you have that high amount of persons being employed at that point when you wanted to turn the industry round and now where it is, because a lot of the necessary work those investments have been made.

There are also some redundancies in the 1990s and that account for the drop too moving from 28,000 to where we are, when Versailles Factory and Estate were closed that created displaced persons as a result. So that is on the labour standpoint in terms of employment for the industry. Regarding the interest in investment that is projected in the sugar industry to achieve the required level of

output and how much of this is for the Skeldon project? For 2008, we are looking to spend close \$9.7 billion for Skeldon. So that is what would be required in terms of Skeldon.

10:20H

[Mr Khemraj Ramjattan arrives]

Then for the packaging plant and that is for a loan - \$9.7 million in terms of money coming from a loan for the rest of the Skeldon project and then through the EU grant facility, we will be spending \$820 million on the Enmore packaging plant. GUYSUCO too will be spending its own money close to \$1.5 billion on Skeldon and the just over another billion on the other capital requirements expenditure needed for GUYSUCO. So for this year we are looking at an expenditure inclusive of Skeldon close to \$13.2 billion and we see next year the total expenditure in terms of capital being at \$8.4 billion and then 2011 that coming down to \$2.3 billion and then an increase going back up to \$3.8 billion by 2016.

There is an issue of how it is the financing will be paid and I will give you some general numbers and the Finance Director if you so wish can give you much more details on how we intend to undertake repayments of the financing. The loans that we have accumulated have certain terms and conditions and they will be paid in accordance to those terms and conditions. Also as part of the impending business plan, in terms of looking at equity financing that will be repaid by fixed return on the capital per annum.

The outstanding loan position that we have, we can also provide you with details if you so require. In terms of how we will be servicing the loan, if you are interested, I will ask the Finance Director to come in.

The other area of interest was whether or not the Skeldon project was diverting sums that were required to do capital works in the other Estates and the other factories. I wish to say that efficient maintenance of the industry is continued despite the need for the greater investment in the Skeldon project. In fact, a lot of

this investment is taken place in agriculture side of the operations in the purchase of bell loaders, replacements of crawlers with wheels, tractors, conversion of fields to mechanise friendly lay outs for instance at Enmore. There have also been some additional investments within the factory which is in above or in addition to the normal maintenance and ongoing maintenance programmes that we would have for example:

- Air heaters for the boilers;
- The packaging equipment and factory upgrade at Blairmont for Demerara Gold sugar and the replacement of generator units at the different factories as such.

There was the issue in terms of the plan for the mechanisation of the industry and how much we will be harvesting by mechanical means as well as through the traditional manual means. For this year we are looking to do four percent fully mechanised; fifty-three percent of mixtures semi and forty-four percent manual. Next year we want to increase the full mechanisation to twelve percent ... *[Interruption]*

The Chairman: Might I ask you to repeat those please

Hon Robert M Persaud: Oh sure. Four percent for 2008 fully mechanised reaping or harvesting, semi fifty-three percent and manual forty-four percent. Next year that number will go up to about twelve percent full; fifty-five percent semi; and manual thirty-three percent. By 2016 ... and you may say that this is ambitious, we hope to harvest through full mechanisation forty-seven percent and a combination of manual and full mechanisation which is call semi fifty-three percent and come down to zero manual harvesting.

The other issue that was raised is if there is any provision in the projection for the industry for continued foreign management contract. When will the foreign management contract ends as well as whether there is the maximum utilisation of Guyanese in the industry to reduce our reliance on foreign contracted employees. In our business plan there envisage a role the participation of some

model of a foreign management contract for that contact and I must say that (if you want to use the word) the Guyanisation of the management has been ongoing and we made tremendous progress so much so that we only have six foreign contracted employees in the industry as we speak, the other positions have been taken up by nationals (if you want to use that word).

In terms of the rainfall data and to make it easy for Members of the Committee, I will ask the Committee's staff to circulate some of the data around and then we can come back to that. I need not to give ... just to say if you look at the Berbice number from 1999 to 2007, you will see in 2007 some spikes of the amount of rainfall taken place in Berbice and that has been increasing over time. I know you yourself and some other forum would have expressed or shared the view that we have seen some changes in the rainfall patterns. If you look at what traditionally obtains for Demerara and for Berbice and we have seen for Berbice over the past several years have been turning out to be some our (what you want to say) wetter Estates and we all know what are the possible implications for that.

We have also provided the data for Demerara, just to say that over the last three to four years especially after the 2005 floods we have seen record high levels of rainfall at the different Estates and different locations as we have seen throughout the country and the bar chart here would certainly allow us to contemplate on this a bit more.

If we want to move to the weather climate and let us talk about the industrial relations climate in the industry as to what steps are being taken to improve. Let me preface my statement by pointing out that we view workers' rights and workers' interests with much seriousness and have always sought to ensure those who are employed within the sugar industry are given the best in the context or what the Corporation can afford.

The Chairman: Which question are you answering?

Hon Robert M Persaud: What I have done, Mr Chairman, with your permission, I have jumped those questions with the rainfall data. Those will be circulated. It might be a bit tedious to go through that.

The Chairman: Mr Ramjattan, do you have a question?

Mr Khemraj Ramjattan: No, I was asking ... I am late and I want to apologise for that. Are we going to ask questions as we go along or when he is finished?

The Chairman: When he is finished.

Mr Khemraj Ramjattan: Okay, thank you.

Hon Robert M Persaud: So the Corporation has always been striving to ensure that our workers are being treated in the fairest possible and while we may not be able to meet all the demands, efforts are being made within the affordability of the Corporation to satisfy the demands and the requirements of the workers in that regard.

There has been a number of steps taken in terms of regular training and sensitisation programmes that workers and other can fully appreciate and understand the collective agreements that exist as well as the grievance procedures. There are regular briefings and we insisted not only between the central management, but also the Estate levels among the workers' representatives, unions officials on the various operational and strategic issues. In fact just recently, there was a presentation made to the Unions on the progress of the SSMP, because it is important to ensure that the unions and the workers and this was a presentation made to the unions and to the workers apprising them of where we are regarding the sugar project. This is just an example of what takes place.

There has been recently the resuscitation of the monthly Workers' Council Meeting whereby workers' representatives will have the opportunity to participate in deciding the different factors which are required the overall performance of the Estates. The Workers' Council is a way of involving the workers in some way or in some form in the management of the operations of

the various Estates and also allowing them to share their thoughts, make suggestions and even monitor what is taking place at the level of the Estates. Much more work has to be done at that level; we have just been recently resuscitated. So there is a lot of information sharing with the workers themselves. Sometimes some of the issues that come up and that can harm the industrial relations climate have been the lack of information, so there is now a concerted effort to engage the workers, to brief the workers and their unions as to what is taking place, what is required and the role that they can play. Because what is taking place with the GUYSUCO is not only the responsibility role of the board and management, but workers constitute a key, critical and essential group for making all the plans that we envisage within the business plan to succeed and a lot of premium has been put on constantly improving the industrial relations climate in the industry, but there are some other issues which must be addressed and certainly the Board has been given attention to those issues as to what steps should be taken to further improved industrial relations climate.

Regarding the improvement of GUYSUCO Organisational and Managerial Structure, I must say that this is currently under review and in fact there is a proposal which is before the board to look at some major re-organisation of the management structure of the Corporation and this proposal is currently being fleshed out and we do hope that by the end of this year we will have some clarity on it and we do hope that we can start in 2009 with this new management structure that we have. Some of the details are still being fleshed out and just to ensure that what has been proposed is compatible and will improve the situation. So it is work in progress in this regard and I must say that the Government outside of GUYSUCO will soon be contracting two experts to do two important reviews that will feed into how it is that we can improve management of the Corporation and these two experts; one would look at the production side of GUYSUCO, what are the issues, what are the constraints, what is going wrong; what is going right; what needs to be done. And also on the financial side too, because that is very critical in terms of the financial

management of the Corporation of both what exists and in going forward. The terms of reference of those persons have been finalised and very soon we will be seeking to source those experts who will be here for a short duration, but they will be to supplement some of the reviews that are taking place as we move forward in this regard.

Coming back to the Skeldon project and possibly I should have structured my presentation to deal with all the Skeldon Expansion at one point, my apologies for jumping around a bit. There was a query as to how many weeks it projected that the new Skeldon factory will be operable and the answer to that is twenty-five weeks at full capacity. If you look at the calculations at 350 tonnes of cane per hour times around 140 hours and we multiply by twenty-five weeks you will see that with the maximum amount of cane that we will require 1.2 million tonnes, if will confirm the twenty-weeks figure. This is also important, because it will allow us to take advantage of the dry weather due to the large percentage of mechanised harvesting. What I should say too is the issue on the question that was asked: how many acres of cane will be required for the start-up of the new Skeldon factory and how many acres are planted now and will GUYSUCO be able to achieve ... an important question. Just to say that a minimum of close to 1300 hectares of land is required for the start-up of the new factory and this is what we require. First we will have the 124 hours start-up and then a 172 hours trial that is prior to the take over and then that would be followed by a 372 hours performance test after the take over of the factory by GUYSUCO.

In terms of the concern of the 4,000 hectares which the Skeldon Estate was supposed to expand by and the query on how much of this has been completed and what is the current acreage of the Skeldon Estate as of April 2008 and compared with 1998. What I can say in 1998 the cultivation size was 4,848.2 hectares and as of April this year that has gone up to close to 6,462 hectares so the number is 6462 hectares moving from 4848 hectares in 1998.

For this year in terms of the Skeldon expansion we hope for the first crop close to 1,600 hectares and by the second crop that number should go to close to 2,600 hectares and next year going up to 4,165 hectares and by 2010 4,685 hectares.

We have had some difficulties in terms of the SSMP in the drainage aspect of it and the investments we have had to make in terms of draining those lands. That has slowed the work in those areas, because the new land areas are areas which are under swamp conditions and require a lot of drainage work and that has in a way contributed to some form of delay, but we do hope to catch up and be able to match what is required by the factory in this regard.

Let me deal with all the Skeldon issues and then we can come back to the other matters just to make things easy.

If we talk about the schedule start-up time and I think Members of the Committee thought this was supposed to be in 2006, I wish to say that there was never an agreement to deliver the factory in 2006. As we may know the factory was originally conceived in 1998/1999 period, but because Guyana was classified as HIPC, there was some delay in terms of the financing arrangements for the factory until 2004 and in fact the contract was signed in January 2005; in fact in the middle of the great floods that we had there. The original date of completion was to have been October last year, but because there were changes in designs and some other problems, you would not believe it, sometimes the issues of getting visas for the workers coming in from China tends to push things back and some practical problems if you add a week/two weeks/three weeks/four weeks they tend to accumulate, but just to say that the project is now due for completion at the 2 August and some date after that once the date have been done, we will do the commissioning.

There was an issue in terms of the punts - how many punts Skeldon cane cutters are loading currently and how many they loaded in 1998. In 1998, it was 220 per day and in 2008 it is about 310 punts per day. That has been the average we had.

Let me look at the information you required for Skeldon. In terms of the cost of production and the prognosis in the sense of the Skeldon factory which has the following down times, waiting for canes during the crop year ten percent/twenty percent/thirty percent/forty percent. It is important to recognise that the factory is designed and this was deliberate to have more capacity than cane available on the Estate as the factory was expanded by a factor of four while the Estate was expanded by a factor of three. This was done because the Estate was expanded with mechanisation in mind as a key factor which requires dry weather, so if for instance you cannot get the cane because of the weather, you can shut down the factory and then it will be able to deal with that large volume, because it has greater capacity so when you turn it on back, you will not lose grinding time or the opportunity time and as we said the grinding time is close to twenty-five weeks, but it was designed with that in mind, because sometimes you have the difficulty with the current factories that you have. It is difficult sometimes to make up with the extra cane coming in which you cannot have extracted from the fields due to weather.

If you look at the power generation issues ... before I go there, there is any question if there is any progress so far by GUYSUCO for the construction of the distillery and refinery is part of the modernisation. What I can advise the Committee is that approval has been given for GUYSUCO to pursue equity funding for both the refinery and the ethanol plant and we are looking at the refinery with production to close to 120,000 tonnes and that has been incorporated. So the refinery placement document - prospectus - if you want to call it, is being finalised and very soon this document will be made available to prospective investors so that we can raise the capital or the equity financing so required to build this refinery.

In terms of ethanol the pre-feasibility study was done. We all are aware of that study and in fact and I must say that a team from ECLAC is coming next week to conclude some additional work in this regard, because while that study was completed there was still some unanswered questions and that expert could be here next week to allow us to determine whether it would make sense in terms of

the use of the molasses, because we put it towards fuel alcohol or potable alcohol meaning consumption. Although I still hear that some persons are suing the fuel alcohol too.

Mr Winston S Murray: To fuel themselves. *[Laughter]*

Hon Robert M Persaud: Sorry! So we do hope that with this expert coming and the other work that the feasibility study will be completed by the third quarter of 2008 and that there will be some movements in terms of financing by the end of this year.

Regarding the distillery, we all know the story of that. There was an investor who was ready to commence operation here and GUYSUCO was taken to court by DDL and that effectively kill that investment proposal to establish a distillery in Skeldon. That matter is still before the court; it is under appeal and I do not think that I can add much more. I see that there are two lawyers here and I hope that they can give me some form of coverage if I have exceeded what I should be saying on this matter, but I do not wish to add a bit more on that.

Mr Khemraj Ramjattan: You are doing better than the President.

Hon Robert M Persaud: The President has presidential prerogative, I do not have.

Mr Khemraj Ramjattan: The President has immunity.

Hon Robert M Persaud: The revenue that GUYSUCO is expecting to generate from the cogeneration and carbon credits annually; the revenue that we project this year should be close to 1.1 billion and by 2016 that revenue going up all the way to 2.3 billion.

The Chairman: Billion what?

Hon Robert M Persaud: Guyana dollar, I am sorry. If you look at US, it is about US \$5.8 million this year and going up close to about US \$10 million by 2016. I must say that we have been able to finalise the carbon credits arrangements with the World Bank and we are projecting if you add the income which GUYSUCO

will get and the community starting next year it will be 134 ... thereabout. You are talking about the conversion of Guyana dollars. I will give you the numbers for that.

Mr Khemraj Ramjattan: Give us in US dollars.

Hon Robert M Persaud: Well GUYSUCO will be 134,352 ... US \$2.5 million. If you look from 2009 to 2014 US \$2.5 million and this is from the carbon credits, that is for the cogeneration facility that we have here.

Mr Khemraj Ramjattan: 2008 to 2014?

Hon Robert M Persaud: Sorry, 2009, we will not be getting any this year - 2009 to 2014 - \$2.5 million.

The Chairman: This is just for the cogeneration.

Hon Robert M Persaud: Yes, this is for the carbon credits, because we have under the clean development mechanism utilising the facility, using the begasse and the other investment we have made in the industry, we have been able to attract carbon credits to the tune of bringing in income to GUYSUCO close to US \$2.5 million.

The Chairman: By 2016?

Hon Robert M Persaud: By 2014 and the community itself too, there is a component the way is revenue is structure a portion goes to GUYSUCO and another portion goes to the community and the community will get close to US 200,000 over that same period 2009 to 2014.

In terms of output, the query is: what is the current output of electricity from the Skeldon cogeneration plant and how much of this will be supplied to the national grid and at what price. As I pointed out the factory has not been commissioned as yet so the plant is only capable of producing ten megawatts of engine generated power. In a way our output has been restricted

In a way our output has been restricted, because the 69 KV transmission lines, which is required to take the power from Skeldon to the station that has not been built or installed and in fact GPL is now taking steps to do that. There was an advertisement recently placed in the newspapers to have that. That would allow us to provide much more to the National Grid. I must say that one of the new 5 megawatt engines we have had some issues with them. They are here and they are still under the warranty period and they are working to have that addressed. The power purchase agreement with GPL is still being negotiated so at this time I can not tell you what price that will be, but we do hope that would be completed and since the factory has not started up, there is no co-generation taking place, I mean utilising the begasse there. At this time it is difficult to know what will be the exact cost of production if you bring the cogeneration into that.

Regarding the issue in terms of the *[Pause]* have I exhausted all your concerns?

Mr Khemraj Ramjattan: Those are the ones that are written of course?

Hon Robert M Persaud: Yes.

The Chairman: Good, how I propose to proceed from here ... *[Interruption]*

Hon Robert M Persaud: Just let me say on the Power part so that I can give you a full picture. The new Skeldon factory would have installed power generation capacity close to 40 megawatts of which 15 megawatts will be exported to the national grid. So that is just to give you the global picture. Forty megawatts of power will be produced and 15 megawatts will be available to be utilised in the national grid.

So I think that would d give you a picture especially with the emphasis on the Skeldon project and you are free to seek further clarification.

The Chairman: Well, as far as the 5 megawatts set at Skeldon, it has been out of operation awaiting parts from Wartsilla, Findland and the engineer to correct some problem; it has been sixteen weeks out of operation.

But how I propose to proceed from here would be to go back to the way the Minister has decided to answer the question which is take Question No. 1 first and let the Committee address those elements of section of Question No. 1 which is in response to the Minister's submission.

I myself would like to start the ball rolling by saying that the expansion of Skeldon was predicated on certain basic elements being met:

- (i) Was the lower rainfall in the Berbice area;
- (ii) The better quality cane in the Berbice area;
- (iii) The availability of labour or higher land for mechanisation and adequate labour.

Unfortunately as you have said, but I do not think that it has been highlighted thoroughly in your ... I am sorry, the fourth one is not labour:

- (iv) As far as the 1998 Review of the Strategic Plan had refused to accept that they would lose the protocols from the European Union. The whole project was predicated on the fact that those sugar prices would remain.

It was an unrealistic way to look at the situation but nevertheless it happened and therefore we have to live with the consequences.

The second one is that the new factory by year end and this is the GUYSUCO's Newspaper. This is not Evening News. The GUYSUCO's Newspaper is saying that the new factory at Skeldon would be there by year end. This is dated November 2006. I understand the Minister to say that at no time was there any indication to the members of the public that the factory would start in 2008. Well, I have here new factory by year end.

Hon Robert M Persaud: What is the publication date?

The Chairman: GUYSUCO News November 2006; January 2007.

Hon Robert M Persaud: It had to be an Editorial error.

Mr Ronald Ally: Well if it was January 2007, it was anticipated to be operational in the last quarter.

Hon Robert M Persaud: So far for GUYSUCO ...

10:55H

{Power Failure}...

The Chairman: Minister, the sugar industry of Guyana - the fact is, it ground according to the following percentages of the time available to those factories throughout the cropping period for the year. Skeldon 62.9; Albion 61.12; Rose Hall 67; Blairmont 69.79; Enmore 62.6; the only sugar Estate of course Uitvlucht ground only 47.39 percent. And one of the major reasons given for this shortage of the grinding was that these factories were not being adequately supplied with cane.

Minister by your own submission, Skeldon currently 310 punts per day; if I remember correctly a well loaded punt is six tonnes, so even if the punt is loaded fully, that is 1,800 tonnes of cane every twenty-four hours, but the current factory grinds at around one hundred tonnes of cane per hour. But that factory were it to grind for twenty-four hours a day would require 2,400 tonnes, so as of this moment by your own figures and by what we have seen ourselves; we have been monitoring the situation very carefully; at least I have; there is a very big shortage of labour and there is a shortage of cane for the Skeldon mill even as it exists now.

Minister, you said also that this year in 2007, we will produce 37,000 tonnes of sugar; well last year we produce 27,000 tonnes of sugar at Skeldon and there fore to expect that we would increase by 10,000 tonnes are in my opinion not very realistic.

If I might abuse my privilege, Minister, GUYSUCO has developed a new skill, I think perhaps they might have learnt it from other areas, but the new skill is that the local estimates keep changing, coming in like fashion to do with down-grading of production numbers. The original estimate for GUYSUCO for this

crop established that as we have now produced 103,186 tonnes, we are actually short of the original estimate by 32,600 tonnes not 4,000 as was published. The reason is as the shortfalls keep materialising throughout the progress of a crop, the latest estimate keep dropping as well. Minister, I myself find that very confusing and not to mention perhaps even deceptive and therefore if the industry declares that this is what we are going to achieve, I think that they should keep that estimate as the estimate for the entire crop, they should not keep down-grading. At the beginning of a crop a good manager would know what he has in his field. If he does not, then he is not a good manager. I am sure that the CEO will agree.

I am going to have other things to say as I go along, but I think I should open the floor to other people who might want to make an input.

Hon Robert M Persaud: Do you want us to just clarify the points that you have raised or take all at one time?

Mr Khemraj Ramjattan: Well I do not know; I suppose yes, there should be, because that clarification could avoid me all the questions and duplicity.

Hon Robert M Persaud: Exactly. With your guidance, Mr Chairman, could we shed some light on some of the issues here?

The Chairman: Yes, please.

Hon Robert M Persaud: I will invite the CEO and possibly the Chairman to put some more details and perspective. But just to say that I too and the Government, we share concern of what is happening regarding the production side of GUYSUCO and the changes we have seen in what is called the latest estimate and that in a way too has affected some of the elements of the Strategic Plan that we have for the Corporation. There are various factors which have been offered for the constant revision of the projected numbers and then you have the latest estimate and some of them are convincing, others we need to give serious attention to meaning that we are not fully convinced. It is for that reason the Government has taken the decision to bring in a production expert to review

what is taking place in the Corporation, what needs to be done, what corrective action would have to be taken to prevent this issue that you highlighted.

Let me also say add to that there are other factors which we must not ignore and the factor of weather has been a serious constraint in terms of how it affects production and our ability to meet targets too. But notwithstanding that factor and others, the issue of production is a major concern for the Government and that is why we are taking certain steps to see how it is we can mitigate those factors. It is looking at mitigating those factors that is causing the reduction or below our projected numbers for production. And if you look at the weather for instance some of the practical steps that have to be taken just to ensure that you would not meet the LE that was presented. *[Interruption]*

The Chairman: Minister I understand what you are saying, what I am saying that at the beginning of a crop having determine ... because this is the Sugar Corporation of the people of Guyana and having told the people of Guyana that we are going to produce 135,000 tonnes and then produce only 103,000 tonnes and tell them that there is a shortfall of 4,000 tonnes because of certain things.

Also Minister there is something very strange going on and when the CEO of GUYSUCO responds, we (as a nation) had agreed to expand Berbice, because Berbice had better quality cane, but in the first crop just concluded the TCTS of the Berbice Estates was 12.13 tonnes of cane to make one tonne of sugar, while in Demerara it was 11.19. So we are seeing of reversal of the Berbice Estates having better quality cane.

In particular Minister, you refer to the water at Skeldon , I do not want to pat myself on my back, but since 2001, I have been warning that expanding and cutting that water into the existing cultivation was fraught with great danger and therefore Skeldon Estate now, because of that irresponsible action of cutting in the swamp water into the existing cultivation Skeldon Estate poll in canes is only 9.18 percent while Albion which is just next door is 10.45. In other words, the canes at Albion have twenty-five percent more sugar in the cane than Skeldon and this is a direct result of them cutting that water into the existing cultivation.

So might I ask the CEO, if he is not speaking now, what exactly had done to relief the situation, has there been installed a pump; has there been built a ne sluice; has there been any infrastructure done to relief the stress. Because frankly at this moment in time, given your own rainfall figures going back to 1998 that tendency for Berbice to have more rainfall than Demerara has been manifesting itself for quite a few years. This business about Berbice having half of Skeldon especially... when I was in the industry in 1964, Skeldon used to get between sixty and sixty-five inches, while Uitvlugt average rainfall per year was about 120 inches. Now that has apparently changed and in this last spring crop 2008. Minister more rain fell at Skeldon than at Uitvlugt.

Hon Robert M Persaud: Climate change you call that. I would like the CEO to come in. Just to understand though, I do not think that there is any attempt to deceive anyone in the numbers that I have given. As we speak now GUYSUCO is preparing for the budget, the numbers for next year and then that has to be revised. If for instance the projected number is 315 that number would have been given July/ August of last year and then by the time you finished the second crop in February and March, then you have to revise that number, that is why it is called the latest estimate and that has to be done based on what is taking place on the last crop. And in some instances too, like for instance between 2007 and 2008 GUYSUCO had brought over close to 200,000 tonnes of cane for a number of factors. So you see the shift of some of those factors that account for the drop, but the Government share the concern that we need to ensure that we produce what is being projected as much as possible, but let me invite the CEO to shed some light on some of the other specifics that you have raised.

Mr Nick Jackson: Mr Chairman, the Minister is right. The way we do our budget cycle, we are budgeting now for next year and we did last year we budgeted 315 and we budget on the premise that we will achieve our land preparation and planting programme in the second crop. Now if we get to the end of the year and we do not achieve our land preparation and planting then the canes are not available in the following year. So you carry a ratoon from this

year into next year, so your ratoon cycle gets older. So then in January we relook and see what we actually achieve in the second crop and then predict a better number for the actual year. Now in this particular we predicted 315, we did not achieve our land preparation and planting last year because of poor weather and then even at the beginning of this year I was going to the Board in February with the latest estimates, but I requested that the Board can be delayed for one month, because I had Albion, Rose Hall and Blairmont all under flood conditions and watering all of the Estates and it would be very difficult to determine exactly where we are going in terms of cane. So we did not trigger back to the Board with the latest estimates until March. So the latest estimate changed to 108 and we achieved 103 in the end.

The Chairman: I would not want to appear to be argumentative, but I am saying that the estimate that I am referring to was the estimate that was given at the beginning of the crop - the first estimate on this crop not from last year - and in fact Sir, I want to tell you, you are absolutely right, I have done my own little research. The actual land preparation in all of the Berbice Estates was 798.5 acres, when the budget requires 3,400 so you are about one-third; you are about thirty percent of what you should have prepared and planted.

Mr Nick Jackson: Well I think that continued again in the first crop of this year, Mr Chairman.

The Chairman: This is the first crop of this year?

Mr Nick Jackson: Yes, exactly, so we will be struggling now for production for next year, because we did not plant this crop.

The Chairman: Sir, what I am saying you have given us numerous projections and we all agree that they look very good on paper, but frankly they have all been erroneous.

Mr Khemraj Ramjattan: I think you are making the point ...

The Chairman: In the first six months of this year, with this new plan has gone haywire already.

Mr Nick Jackson: Yes, but we presume on the basis of opportunity days and we have reduced our opportunity days from 120 to 80 recognising that we are getting less days to do land preparation and planting, but what we are finding now is eighty days are insufficient. So we have to budget on something so we budgeted on eighty opportunity days for the year, so if we do not achieve that because we cannot predict the rainfall for the full year, then we are not going to achieve our programme. Then if we do not achieve the programme then the production continues to decline, so we have to continue to try and achieve as best we can. We have increased tillage fleets. I do not think that we can do more or less. We are now looking to do minimal tillage or stripped tillage so that we can till the same amount land in less time, so that we can even do more in an attempt to try and catch up with climate change and what we see are happening. So unfortunately if I could predict a weather that would be great. I would have predicted hardly any land preparation and planting and then the Board would have said to me, but why you are doing that how are you going to achieve your production next year? So it is very difficult when we come to set our budgets and our targets. We plan on eighty opportunity days and we hope to achieve that, if we do not then the numbers come down and in the last three years ... and if you look at the rainfall charts that you have in front of you, you will see that in the last three years, there has been significantly more rainfalls than it has in the previous three years. In actual fact if you look at Skeldon rainfall in 2007, it was still less than Uitvlugt so the decision to do mechanisation and to expand Skeldon is still right. The only difficulty is that all the Estates have now had more rainfall, but Skeldon has still had less rainfall than Uitvlugt almost less than any of the Demerara Estates even, but the problem is that the total overall rainfall has increased and the distribution as well as the problem. It is now raining outside of the two wet periods which is December/January and May/June so we are getting rains much more into July and August and they coming a bit sooner as well in November.

Mr Khemraj Ramjattan: Please Mr Chairman, can I ask a couple of questions? I do not want the Chairman to monopolise the proceedings.

The Chairman: I only present the facts. I point is, I do not.

Mr Khemraj Ramjattan: You have made some very good points.

Now I just want to clarify this ability to project properly, because we know that the ... but I come to the question that is projecting here to take care of that Skeldon plant. I suspect rather that rainfall is being given a very bad name here and indeed it is probably true, but is we were to do a computation, which I am certain the experts like yourself and the other six contracted employees there and whomsoever also the local people My computation of this new plant at 350 tonnes per hour and then you probably have 156 hours work week, it will take 54,000 tonnes at (let us say) twenty-five weeks per year will require 1.8 million tonnes. With the sustainable yield at ninety-two tonnes per hectare, we have to be preparing ourselves for this new Skeldon factory in excess of 16,000 hectares. What I am getting here from the Minister is that we are in no where in that vicinity of hectarage from GUYSUCO. I mean, it is just a quick computation, but it is obviously the case whereby the hectarage that you talk about, Minister, is not going to feed the capacity of that thing for twenty-five weeks. It is quite clear.

Hon Robert M Persaud: I think there is some factor in your equation that is wrong.

Mr Khemraj Ramjattan: Are we going to get a better yield?

Hon Robert M Persaud: No, there is one of the numbers that you quoted that put you off completely. But let me ask the CEO to correct that.

Mr Nick Jackson: I think the plan hours at Skeldon was just under 1.2 million tonnes of cane which are 350 tonnes of cane on an average of 140 hours per week in twenty-five weeks gives you 1.2 million tonnes of cane through the factory and the reason for that the twenty-five weeks need to be relatively dry weeks. As soon as you put more cane in which you can, so you can develop more land and put more cane, but then you tend to stretch the crop and then you run the

risk of running into the wet weather and then you end up running the risk of carrying cane over into the following year.

Mr Khemraj Ramjattan: But are you going to get that 1.2 million tonnes of cane from the hectarage that you are talking about?

Mr Nick Jackson: Yes

Mr Khemraj Ramjattan: And your computation for that is not unlike the projection of before?

Mr Nick Jackson: No.

Mr Khemraj Ramjattan: Okay. Now if that is the position and it is twenty-five weeks grinding as it were, when we come back to the efforts in relation to workers, if the factory will only grind for that twenty-five and so on, what would be (let us say) the outer crop work, because it is only twenty-five weeks we might be having grinding and also in the context a longer period people not being out of work, what are the implications for that for industrial relations?

Hon Robert M Persaud: Before the CEO expands on that, that is an issue that the union has already flagged, because they have seen the numbers and GUYSSUCO has assured them that no one will be displaced and work would be found for those persons. In fact, there is some ... *[Interruption]*

Mr Khemraj Ramjattan: What is your projection; what kind of work - aquaculture - what is it?

The Chairman: Not aquaculture.

Mr Nick Jackson: We still have to honour all of our agreements with the union, which is to offer full days out of crop work, so it will be still weeding, drain digging, all the other types of operations that they do. Some will be maintenance and there are various other odds and ends that we need on a long-going basis. The Estate is being expanded so there is a lot more estate to weed and to look after and to maintain. So we do not perceive that we are going to have too many people idle for too long.

Mr Khemraj Ramjattan: Thank you, that is very reassuring.

Mr Nick Jackson: We have to maintain the crop.

Mr Winston S Murray: But on that point may I just have an opportunity to ask a follow-up here?

The Chairman: The Chair recognises Mr Murray.

Mr Winston S Murray: I had planned to ask all my questions at one, but this is just a follow-up. If what you say is accurate, Sir, that you will have a mechanisation process, but you are nevertheless going to maintain the level of employment and I take it at no less a cost than you currently do it, then is your overall cost given the amount of sugar not going to increase? Let me hear.

Mr Nick Jackson: Now if the employees stay constant and the sugar production goes up then the unit cost comes down. So we expect the unit cost to come right down.

Mr Winston S Murray: Now I am not sure that I follow that logic. For any given level of production such as there is at any point in time, you have a cost which at the moment includes a certain amount for labour and that will remain fixed or at least not decreased, but we can envisage that over time that is likely to increase. Am I right? ...

Mr Nick Jackson: Essentially yes, but naturally your unit cost comes down.

Hon Robert M Persaud: We will not be producing the same level.

The Chairman: I did not see your hand, but before I allow Mr Murray, I would like to point out that the weather; this is GUYSUCO's own reporting to GUYSUCO, I think the Minister said these are internal documents, but the fact is whether they are internal or not, they do not become irrelevant, because they are. It says it here that the weather - this is for the year 2007; this is the 2007 Operation Report; the weather, the lack of attendance, productivity and to a lesser extent some management labour organizational issues resulted in the added crop grinding hours per week for the industry to be of the order on of 109

hours per week compared with the latest estimate of 132. So therefore it is not only the weather, there are organizational problems and there are massive labour problems looming in this industry. It should be of concern to everyone. You should not blame it all on just the weather; the weather is a factor, yes, but not the only one.

Hon Mr Robert Persaud: Let me ask the Chairman to shed some light at this point...

Mr Ronald Ally: I think Mr Chairman, if I can respond to your concern and your observations which are I think accurate is that the Corporation has already moved in keeping with its Strategic Plan, which will address that issue. Right now the corporation have cane loader of the number of sixty, which is enough to satisfy, when you get the information the fifty-three percent of semi-mechanized programme for the industry between now and 2016. So that starting this year effectively the second crop will see the first full implementation of the bell loaders which will help to account for sum of that shortage of labour and therefore enable the factories to work closer to 140 hours a week which is the desired target. We were very pleased to note in the first crop that Blairmount, which has the most difficult plan layout for mechanization or semi-mechanisation processes achieving in good weather 140 continuous hours of grinding a week using the bell-loaders. So your concerns are right, but the Corporation has not sat back. We recognized to move the Corporation to the level of the production we require and given the changes we are having in the weather, we have to accelerate some of the programmes. We therefore have to be able response to those changes that are occurring. We have plans for certain changes, but we recognize other changes are happening. Right now rainfall is a problem. We agree with you, but we are also looking at that. We are looking at moving punts for example to pull the cane to the factories so that we do not have to rely on the roadway, which as you know gets very damaged in those periods. So that, yes, the 2007 that you read are probably very accurate and it was identified as a concern. As a result, double the number of bell-loaders - cane loaders - that we had were brought in during early 2008; some of them got active

in the estates in the first crop of 2008. We saw some of the issues, we dealt with them in the out of crop and we are hoping to move forward in the second crop to achieve exactly what you are proposing a continuous and better grinding hours by the factory by having continuous flows of cane to the factory from the fields. So your observation is right and I think like everything else GUYSSUCO is moving, some plans have to be adjusted to suit, but we are moving with it.

The Chairman: Thank you Mr Ally

Mr Irfaan Ally

Mr Mohamed Irfaan Ally: Thank you very much. First of all, let me congratulate the Minister for a very elaborate presentation. My question deals with the issue of private cane farmers. Between the periods 2008 to 2016, Minister, with the numbers you gave we are looking at in excess of 230 percent increase in the production in the produce by private farmers that will be required. My questions therefore are:

- (i) What measures in place to ensure in the first instance the production by private farmers as stimulated?
- (ii) What incentive schemes are there?
- (iii) What measures are there in place to ensure that they equip themselves to function in the new mechanised environment that GUYSSUCO is moving towards?

Hon Mr Robert Persaud: You are correct in terms of the requirements of the private cane farmers to support the production levels that we envisage as part of the Business Plan and already much work is being done to support the private cane farmers. If we look at what is happening in terms of the Skeldon project where close to about thirty percent of the cane will have to come from the private cane farmers close to 1.2 million tonnes. You need in excess of 300,000 tonnes of cane coming from the private cane farmers and that is an example of the support that has been given, the helping in the tilling and helping in terms of securing financing. In fact we have just been advised by the bank through GUYSSUCO's

support the private cane farmers would get close to \$1.6/\$1.7 billion which has been approved for them to be able to effectively have the areas that they have identified to be developed.

There are also the different estates where they have private cane farmers operating with West Demerara and the programme there to support the private cane farmers are being expanded. Nationally, we have just resuscitated the National Cane Farming Committee, which is the organisation or the body that coordinates, that represents and even articulate plans or areas of interest for the private cane farmers. So we see a greater role for the private cane farmers and yes the Corporation has been mandated to provide such support and this is work in progress. There are other areas that we are exploring with the private cane farmers to see what additional assistance they can be given all within the context of the Strategic Plan and we have for the industry.

The Chairman: Thank you Minister.

Mr Ronald Ally: I just want to add to that that the Minister is absolutely right with GUYSSUCO's share of cane coming from the cane farmers moving from about nine percent where it is now to probably twenty-two or twenty-three percent; it would probably be in that range .

GUYSSUCO has also moved to a point of a National Cane Farming Manager and of course build up a department under him which will provide support to the cane farmers right across the industry, because it is one thing for them to get into farming, but we at GUYSSUCO are very keen to ensure that the crops that are produced are of an equitable balance as that of GUYSSUCO. So GUYSSUCO itself is giving a lot of support in this early stage to ensure that the farmers get into the process correctly and that they maintain those processes over the years.

Hon Robert M Persaud: If you can allow me thirty seconds, I just need to clarify. Persons may ask why it is that we are giving this tremendous assistance to the Skeldon private cane farmers, but we are all aware how important Skeldon is, but also half of the cane coming from private cane farmers will come from those

who reside and operate and supporting the Skeldon factory. That is just an explanation that I think is important.

Mr Mohamed Irfaan Ally: Minister, just a follow-up maybe a comment - In your retooling and re-skilling aspect of the workforce, which I think is very essential and I laud the industry for this. You may even retool these people to assist the private cane farmers so that they can be re-allocated to function along with the private cane farmers in assisting them with the production process. So maybe you can look at that too and how you can re-organise them to assist the private cane farmers.

Hon Robert M Persaud: In fact, we are not only to do that level of activity, but also with plans to have a vibrant ethanol sector, distillery, refinery, we want some of the same employees to retrain and to be redeployed. Also the Port Mourant Training School - The GUYSUCO Training School - has made changes in its programme that would allow us to have new types of skills going out and we also envisage at some point in time to utilise that facility to train workers themselves - to do the retraining. Already at the estate level, there is some level of IT Training taking place. We will have to increase that so that we can give workers IT skills too, even if they are doing other functions which may not at this time require that level of skill, but that process has started.

The Chairman: Thank you Minister.

The Chair recognises Mr Murray.

Mr Winston S Murray: Sir, I will ask a set of questions based on the totality of your presentation rather than on any specific topic only at a time.

First of all, let me say Minister, I am very appreciative of the presentation that you have made and I do believe that and quite sincerely that all the information you have presented is based on the best available information to you and that nothing you have said was intended to misrepresent or give any erroneous impression to the extent that things may be different from what you may have said in the past or GUYSUCO itself may have said in the past, I believe may be

due to objective circumstances that have arisen that would have required you to make adjustments in the process. So let me say that the bona fide of every thing that you have said and your team said I take as a given in this presentation, because that is the only way in which we can proceed. Let me also say that you spoke very fluently, but in the process very quickly and I may have therefore missed some of what you say. So forgive me if any of the questions I asked were already answered in your original presentation, but perhaps for my own benefit you would not mind repeating them should I ask them again.

I begin with your projections about the growth in the industry, because I am trying to get both an overall picture and then a sub picture. The information I have noted suggest that the industry is projected to grow from about 285,000 tonnes in 2008 to approximately 445,000 or 446,000 tonnes in 2016. That at the moment you require 3.2 million tonnes of cane to produce the current level of production of about 285,000 tonnes, I missed what the amount of cane you will require to produce the new level or the projected level in 2016 of about 446,000 tonnes. So perhaps you can provide me with that information. I am sure you gave it.

As for the disposition of that production, at the moment the current production is about 285,000 tonnes and are projected to be distributed between 262,000 tonnes of export and about 23,000/24000 tonnes of local consumption. I believe you did give a breakdown of how the export markets are distributed. What I am not clear about is how you are going to dispose of the 446,000 tonnes of production projected by the year 2016. I think in respect of the European Union, it is more or less a known figure, but perhaps you can repeat it and whether there any projections in there through to 2016, you can tell us and how much of that you project to go to CARICOM. I see you view some very liberal prices between \$439 and \$517 per tonne for Caribbean exports. I do not know how sustainable that is and \$400 per tonne for North American exports. I would like to get the figures to fill in my knowledge of it.

The next thing I noted was that the price in the export market at the moment - the world market - is about US twelve cents per pound and I have done a calculation, if I am wrong, you tell me, because I would like to get the figures that way per pound so that for comparative purposes, I can better analyse them.

What is the price we get for the US exports? I have it noted here for about eighteen cents per pound.

I know what we get in terms of Euros for the exports to the European markets, but I would like that break down into cents per pound. You told me €474 and that is going to come down over time and you gave us the figures and if you can give us the projections as to what US cents per pound that means in terms of ours.

What is our cost for production per pound would be projected to be? I did not get that figure from you. I get a figure that in 1998, it was US 20.87 cents per pound; in 2007 it is US 22 cents per pound, but I did not get what your projections are for when we are going to get beyond 2007, because what would clearly be of interest is in the wake of this enormous increase of over fifty-six percent in production level; how viable an industry are we going to be? What are the projections like? I mean, that is what I would like to know.

Employment - I note you say that in 1992 the level was 28,000 and you are projecting that by the time we get to 2016, it will be 14,000. That is a fifty percent reduction in physical manpower. That is what these figures tell me. If I am wrong tell me, but those are the figures I believe it get.

Hon Robert M Persaud: What year are you referring to?

Mr Winston S Murray: 1992, you did give me 28,000 persons and you said in 2016 that would be 14,000. I am saying that is halving the number of persons in the industry. You did seek to explain that in 1992 had some special circumstances attached to it that caused a spike and that is why Mr Vieira's question was well directed when he asked well what was the permanent level and you said certain for 2007 we can take out 4,000 and for each year thereafter

approximately 4,000 as temporary element in the numbers. Is that the same figures we can use for 1992 so that we can better compare the permanent level of engagement in the industry in the past and what is likely to be in the future?

In terms of investment, I do not think and this is an honest comment that the way you presented it gives me a good feel for the amount of money. You said in 2008, \$9.7 billion would have been spent on Skeldon. Well that by itself does not tell me anything about the totality of the investment. I would like to know how much money, we are spending in a total sense in the Skeldon expansion project and not simply what we are spending in 2008 and then how is that money broken down as between sources of finance? How much it is being put in by the Government of Guyana? How much of it is being as equity maybe or as loan (I do not know) and what is the nature of that investment? How much of it is being put in by GUYSUCO itself from its internally generated resources and how of it is coming by way if coming by external financing and what are the terms attached to the external financing? Then once we got that how does GUYSUCO intend to finance that debt. Is it going to finance it from its own resources? Is it an arrangement that the Government would finance some of it? Because that will then point back to how viable the industry is on its own and without any intervention by the State and that is what I would really like to get a picture of.

Foreign contractual employment is an area of interest to me. You said there were six persons currently engaged by the Corporation - foreign employees engaged. What is the nature of their engagement? Is it that you have a contract with an entity like in 1992, the Government then had a contract with Booker Tait and Booker Tait provided us with the persons, do we have a similar contractual arrangements with an entity if so what is that entity under which these persons are employed or are these persons employed as in-line persons engaged directly on individual contracts by GUYSUCO? That is what I would like to know and whether if it is the former we contemplate moving to the point where we can employ to the extent we need external employees with special skills employ them directly, because to the extent that we do so we avoid having to pay a management fee to a company that is going to provide us with these workers

and could be much more meaningful in terms of the cost we pay going directly and engaging those skills on line positions as against engaging them through a contractual arrangement with a particular entity.

One thing I forgot Sir, when you talked about the employment in the industry and you are going to hold it stable. First of all, I think it is a good that is a good political statement to make. I cannot see how you will convert 19,000 people only 4,000 of whom are temporary employees into doing fulltime scale, doing out-of-crop and in-between work really on a fulltime basis, I would like that to be explained how that is going to be managed and whether in the process of achieving these levels of efficiency which Skeldon is supposed to bring, are we going to be closing any estates; are we going to be contracting in any area to make for greater efficiencies to cope with bringing down cost of production to the lowest possible level?

Finally, Sir, I want to ask whether in fact, GUYSUCO has been proceeding on a documented project plan, because we have been trying to get this plan for some time - a strategic plan - and my understanding is that the explanation that has been proffered to us, the plan is in the process of being updated and you will rather await the updated plan before you give us a plan. Well, there are two ways of thinking about that. Yes, it is good to give us the updated plan, but we would like to be in a position to compare what was the original plan and then we will understand what the Chairman said more meaningfully, because we would see what the original plan says; we would see how circumstances have changed that caused you to adjust and you have made some very salient points about GUYSUCO making adjustments and we will be able to understand it better for ourselves.

So my last question Sir, is whether you are proceeding on the basis of any document that was guiding you like a strategic plan, which we have sought to get and have not got and how soon is the prospect of us being able to get a vision of this plan - original and/or updated? Thank you very much.

The Chairman: Minister!

Hon Robert M Persaud: Thank you very much. I think the questions that Mr Murray posed are very pertinent for us to fully appreciate of what is taking place.

Let me answer the first one, the required amount of cane would be 4.6 million tonnes, as he pointed out moving from 3.2 million, which we currently require. So that is the number to complete that equation.

I will ask the Finance Director to do the calculations on the sense for me, but let me deal with the issue with the employment. While you may see the number that we are giving here, take for instance in 2008 just about 19,000; those are the persons that we have on roll. It is not persons who are paid every week. The amount of persons who are paid every week would be about 14,000 or thereabout. So if you look at the number that we have for this year and where we want to go in 2016 would be very close and that is where the stability comes in, but you have these persons on roll currently and we hope that over time that those that we have on roll, will be the persons that will be there every week and being paid. So while you many see the number 19,000, it is not that 19,000 people turn up to work; 19,000 people do not turn up, but only 14,000 would turn up and be paid. If you look at the numbers that we have projected to have over that period would give you that indication, but we are very concerned and that is why we have pointed out that no one will be displaced. In fact as part of the modernisation plan, there are other add-on activities that GUYSUCO would be doing and these add-on activities whether jointly or GUYSUCO doing it fully, would require much support in terms of labour and that is where some of those workers will be going. For instance, if you have an equity with an ethanol production plant; if you have an equity with a refinery; if you have an equity with distillery. They many not come under GUYSUCO's employment, but they may also be part of whatever company, because when you have the equity arrangement, you may have to form a new company and so some of them may opt to go into those new areas. So the underlying fact is that no one will be displaced and we will ensure that those persons are catered for.

Regarding the query of whether or not we intend to close any estate, the answer is no. In fact it is part of the business plan that we have here, it does envisage eight estates operating, so we do not have any plan to close any of the estates. In fact we are seeing some turnaround, so improvements in some of the estates that some of the experts that flew in from the World Bank and elsewhere thought that we should shut down and write off, we are seeing that these estates are turning around and are doing much better with better management especially from the agricultural standpoint. *[The Chairman: Laughter]* I am not sure why the Chairman is laughing.

Mr Winston S Murray: Somebody tickled him.

Mr Khemraj Ramjattan: That is projection, because all other projections are falling.

Hon Robert M Persaud: Well not all other.

Let us look at the issue of the pricing - let me go back to the pricing. What we got on the US market is about US eighteen cents and Europe close to US thirty cents and by 2016 you asked about the cost of production, the projection is to have cost at the level or just below world market price or cost of production. We anticipate that world market price would be somewhere in the vicinity of US sixteen cents. Our goal or the plan is to have the cost of production come down say between thirteen and fourteen US cents per pound. *[Buzz]* That is a buzz ... should I ... time up?

Mr Winston S Murray: They are buzzing me off actually.

Hon Robert M Persaud: Regarding the Booker Tait management arrangements, these six individuals I referred to are done within the context of the Booker Tait Management Contract and they are within that contract and the new contract has a lot of performance indicators. So the contract is serviced based on ability to deliver; based on performance. It is not automatic and we have put that in. In fact, I must say that even for senior management now of GUYSUCO, we have now built into their contracts performance indicators as part of their

remuneration package. But GUYSUCO is doing a mixture. We have the Booker Tait Management arrangement and also some of the other critical staff directly they are being sourced. Take for instance we had an IT expert from India as one example, we have also sent out queries to Cuba to see whether or not we can get a different level not necessarily a top management, but giving the different skills area. We are looking at Brazil; we are also looking at India; we are looking at different countries to get the type of skills that we may need to sustain and to deliver; where it is lacking; where it is not available in Guyana; I must say.

In terms of the investment breakdown, if we want to look at that, through GUYSUCO it is US\$68 million - GUYSUCO's own resources - and the Government has contracted and then lend to GUYSUCO through the CDB US \$25 million; from China EXIM US \$32 million and the Government of Guyana has put US \$56 million, which takes it to the period of a haul - a total sum of US \$181 million. As I said, some of these ... take for instance the CDB and the EXIM, these were contracted by the Government and there was an on-lending arrangement with GUYSUCO. Because of the Government of Guyana arrangements there are some flexibility as to how this is serviced, but this will be serviced by GUYSUCO, because GUYSUCO and the Government have a particular loan servicing arrangement, which is different from what the Government would have with China EXIM and the CDB and that can give GUYSUCO a scope whether or not the Government decides and that is an option. We have had some discussions already with the President and the Minister of Finance in terms of finalising this government whether or not the concessional terms there too can be extended to GUYSUCO thus making the terms of payment less onerous and also improving some of the numbers and the possibilities that we have. And yes, GUYSUCO will be servicing these loans based on its resources.

The Chairman: Mr Murray had two follow-up questions.

Hon Robert M Persaud: Mr Murray, have I answered the ...

Mr Winston S Murray: ... Strategic Plan!

of GUYSUCO as resulting from the business plan and we will not deny anyone that is on roll employment. In fact, it is envisaged that sometimes in some of the areas that we plan, we will require employing more persons. There may be growth in the employment in some areas, while in some areas there may be reduction, but that is where the retooling and retraining comes in and there has been constant engagement with the union in this effort, so no one will be retrenched, no one will be laid off as a result of the plans that we have. So let me give you that concrete assurance. It is not envisaged in the business plan that we have going forward and I hope that puts your concern to rest.

Mr Winston S Murray: Well it is an answer to my question, I am not sure it puts my concern to rest, but that is a different matter.

Now, in terms of the cost of production, I found it a little surprising that you could say, whatever is the world price the cost of production would be just below that. World price is something that fluctuates over time and can be very volatile in both directions up or down and I would have thought with great respect that our cost of production would be independently and objectively be arrived at by virtue of the objective circumstances of the cost we face. So I do not understand that link to world market price as being the basis on which our cost of production will be determined. I would like to have that clarified, because that does not seem to me that we have a clear fix based on our own objective assessment as to what is our cost of production over time through to 2016 are likely to be.

Hon Robert M Persaud: Let me clarify that as we go along.

Mr Winston S Murray: Sure.

Hon Robert M Persaud: I use that as an example, I did not say is the key determinant of what of cost of production would be, because we have available based on the forecast what it will be in 2016. What I said was that in our plan and the interventions that we are making, we want to bring the cost of production to the range between thirteen and fourteen US cents per pound,

which based on which the forecast show would just about two or three cents below what the world market price at that time, but it does not drive on what the price of the world market is. It is driven on the investments we are making, the increase in production, because that would allow us to send down unit cost if our plan is to take the price up to 445 and above. So be assured that we are not basing it on whatever the world market price exist at the day. That is what would be the determinant per number, but the determinant would be on our ability to make the investments, to cut costs and also to get better efficiencies, better management, better utilisation of the resources, increased production so that we can bring down the unit cost.

Mr Winston S Murray: From what you said Minister, you do have therefore in this plan a projection as to what our cost of production are likely to be in 2016. I understand that and I was asking for that number, if you had straight away just give me that number, I may not have had the need to ask the question.

The other thing is the Booker Tait contract; I note what you said that these persons ... haven't Guyana reached the stage of maturity where it can identify the specific expertise it needs and engage that expertise directly and avoid ...? Well, let me put the question this way, because this is the concern that I have. Under the arrangement through which you engage Booker Tait to provide you with employment, you pay a fee - a management fee to that company. Am I not right? And in addition to pay the management fee, which is a fee they take from you for providing you with these employees you have to pay whatever is their charge as the price per employee. We do not know whether that price is the actual price they pay the employee or it is an employee plus based price as well. I am raising it to say that don't you think that between 1992 and now, that we have reached the stage of maturity in our ability to manage the affairs where we can go directly and hire the particular expertise that we need and thereby avoid having to pay costly management fees and perhaps top-top cost per person that we engage. I raised that because that is a serious consideration for me. It would also say to Guyanese that we are indeed managing and totally in charge of our industry and given that comment, do you have in mind any proposed date by

which you might terminate this arrangement? Those are my follow-up, Sir and then I am done.

Hon Robert M Persaud: Regarding the utilisation of the foreign management contract arrangements, because of the conditions that we have had to enter into to facilitate the financing of the Skeldon project, one of which stated that we will retain Booker Tait Management Contract until six months after the commissioning of that project and then we shall go to open international tender to seek a new arrangement with or without Booker Tait. But while I say that the Government has not yet finalised its position on the long term engagement, whether for or against regarding the foreign management contract that is why I said that a model is currently being considered, but what I can tell you is that six months after the commissioning based on our agreement, we had to continue with the Booker Tait arrangement and then we will be free to go internationally through an international tender to procure similar such services, but the view is that we are also been developing as part of the Booker Tait contract is the Guyanisation too meaning developing local capacity and it is an area that the Board has been putting a lot of attention on and will continue to do so to ensure that we have the local capacity.

Just to compare and to give you a feel of it, in 1990, which I am quite sure that you are familiar with the numbers then, you had about twenty-nine persons working - foreign persons contracted through the Booker Tait arrangement and as I said earlier today it is only six. So you could have recognised the substantial progress we have made in utilising local skills and talent and the Guyanisation of Management which we are undertaking.

The details of the Booker Tait contract arrangements are not secret. Yes, there is a service fee that is paid and yes, that they have some performance indicators.

Mr Winston S Murray: How much is it?

Hon Robert M Persaud: It is just in the vicinity of £350,000 per year.

Mr Winston S Murray: Just in the vicinity?

Hon Robert M Persaud: Or in the vicinity of ... to do that. You see after I have been calling all the billions here that stands out a bit small.

Mr Winston S Murray: Oh, I see.

Hon Robert M Persaud: But it is substantial.

Mr Winston S Murray: Alright!

Hon Robert M Persaud: Then there is also an element in that, there are some performance indicators.

Mr Khemraj Ramjattan: If I may ... *[Interruption]*

The Chairman: There is a Chairman here.

Mr Khemraj Ramjattan: Oh sorry, Sir.

The Chairman: The Chair recognises Mr Ramjattan. *[Laughter]*

Mr Khemraj Ramjattan: I just want to ... because this is getting to be an extremely ... well we are making projections and projections are contingent upon a whole set of eventualities which may not occur and I could appreciate that. I had a document and I am not finding the document but the vision statement being and this is for the last five years, we are going to produce 500,000 tonnes of sugar - some vision statement that indicated in the vicinity of 500,000 tonnes of sugar. I just want to know that in the context of not being able to produce 300,000 tonnes since 1990 except for 1999, when you produced 321,000 tonnes, are we going to change that vision for the industry - this vision of 500,00 tonnes which was there for the last year? That is one and it is a very direct question.

The other has to do ... I have the National Development Strategy Document and again in that National Strategy Document, it states that we are going to close Rose Hall factory - the closure of Rose Hall factory and the construction of a new factory at Skeldon, designation of new lands.

When a question was asked just now, are we going to close any factory, you said no there are not going to be any closures. So I suppose there has been some revision of this National Development Strategy in a certain context.

Hon Robert M Persaud: Just to say that the vision statement that you referred to, you are taking it out of the NDS.

Mr Khemraj Ramjattan: No not from the NDS

Hon Robert M Persaud: Whose vision statement is that?

Mr Khemraj Ramjattan: Is there not a vision statement at GUYSUCO. Yes, it is from the NDS.

Hon Robert M Persaud. Probably it is stated there or recommended within the strategy, but I want say that like that vision statement and also as you went on to say there was a recommendation that the Rose Hall factory would be closed that has not taken place. And yes, things have to be updated and in fact in the National Assembly, there were discussions regarding the Motion regarding the updating of the National Development Strategy and I am quite sure when that process is completed or when it is embarked upon, those elements would be considered and be updated by the appropriate mechanism.

Mr Khemraj Ramjattan: Exactly that is my point. So what we are projecting here and now could very well be revised to the extent that we will not have anything settled and certain, because what we are saying now will happen in 2014 and 2016 might very well not happen.

Hon Robert M Persaud: What we are saying is contained in a business plan for GUYSUCO. When the NDS was prepared in the late 1990s - 1995/1998 - there is an updated dated document, a lot of realities have changed and so forth and this is the updated document in terms of projection and I am quite sure when the NDS itself is updated it will take into account the projections and the analyses and the details that are contained in this business plan

The Chairman: Minister, I would like to ask a question, because I want it recorded in the Minutes, verbatim. Having regard to the expenditure of US \$181 million to date, according to your submission, Skeldon having 6,000 of a necessary 12,000 hectares to produce the cane for the new Skeldon factory. Could -

- (a) Mr Jackson tell us how much more would be required to bring the cultivation supplying this new factory to 12,000 hectares, which is the plan? and
- (b) Given that the bell-loaders were bringing in problems, they are not being used with as much facility as the evidence of the Chairman of GUYSSUCO has indicated. The evidence is that with very little rain they become quite unwieldy to use in the fields. Mr Jackson has said that it is now possible or it is coming necessary to have more so you could shorten the period of grinding. For the simple reason and we did not touch on it for the presentation, but I think that we should for the very simple reason that any cogeneration would have to be done for a certain period of time of the year for it to be of significance to the grid; and

Secondly, that any interruption in grinding as the Chairman well knows would cause the bagasse situation in the logie to be diminished to the extent where in this last crop for example I believe Enmore was buying wood because of the stop and start; stop and start. But once you start the factory at the beginning of the crop unless you can realise 130/140 hours of grinding at least per week rather than the 109 hours of grinding per week currently being the situation in the industry. There is going to be a lot of problems with power. So the first question for Mr Jackson is, having regard for the amount of money spent so far; having regard to the fact that at the very beginning of this project we had estimated that we will still have the European Union Protocols in place given the fact that the rainfall situation is now militating against us as is labour shortage; I want it on the record, would the team from GUYSSUCO say that this was a safe

and proper investment for the nation. That is the bottom line. That is actually what I am getting at.

Hon Robert M Persaud: Well there is no reason to believe that it was not a safe or proper investment from all the projections as I said when a copy of the business plan was made, you will see that it takes into account some of those realities. I will ask the CEO to expand too on how it is the factory will be put into full operation. When we have and from your experience and others who have familiarization on how these things work; when you have commissioning of the factory, you do not ram it up to full production; you cannot; it has to be broken into and that where over time when the increase acreage is brought under cane and the increase cane is available that will match when the manufactures and others have recommended that we put the factory to full capacity. So while you may see 6,000 or so hectares now available and an X amount of cane, it may just about what is required at that point of time for the factory to operate as recommended by the manufacturers. I think we need to appreciate that, so while we know the factory will have to produce the float to the 100,000 and plus tonnes of sugar per annum, it will not produce that immediately, it cannot, it can lead to severe consequences on the equipment and that is where there is a phased programme of pushing the factory into full speed, as it was putting it into full throttle, so that it can manufacture the amount sugar that is required and then the plan is to have the land and cane production coming on to that level.

Mr Nick Jackson: Yes Mr Chairman, I think the additional expansion at Skeldon was about 9,000 hectares and the Estate itself has managed 15,000 hectares so far and so we have 3,000 left to go. We have enough equipment tractors, scrapers, all equipment in place to do those 3,000 hectares. What we need is a break in the weather so that we can get on and do it. The Skeldon farmers - the private farmers - they are behind their plan; they may have done 300 hectares in total. There various difficulties.

Firstly, they said, we are not going to plant cane unless we see a factory. So the factory got stated.

Then they said, okay now we cannot plant cane unless we see link canal so we can get that cane from our fields to your factory. So we put in the link canal

Then they said they cannot plant cane unless they got financing. So now we have got financing in place.

So now all the hurdles that have been before the farmers are cleared. The financing is in place, we now have an agriculture manager dedicated to the farmers and we have a whole team down there dedicated. So as soon as the second crop gets on the way with the financing in place, I perceive that we will see a big step forward in both the farmers and GUYSUCO's movements in terms of putting the cane in the ground.

The Chairman: Might I interrupt? The factory was supposed to be completed in 2007; it is now 2008. We pushed it back one year, that is understandable a project of this magnitude, but by your own admission the estate was suppose to expand from 4,000 hectares to 8,000 hectares, but you know we are near that you still have 3,000 more to go. It means, not only are the farmers significantly behind, but so is GUYSUCO in terms of your field expansion and my questions was:

Is it a financial constraint?

Is it physical constraint?

You are saying it is machines; I am saying perhaps it might be a little more than machines. What I was asking, can we have for the information of the Media and the nation: what is the bottom line including the expenses by farmers, what would be the total expenditure to facilitate the 12,000 hectors on line with 3,000 canes per hour for the mill to operate? How much more do we have to spend? We have already spent \$181 million, but the actual acreage is not yet planted neither farmers nor estates so how much more will this project cost the nation?

Mr Ronald Ally: Mr Chairman, I wonder if I can deal with it. The US \$181 million referred to is the total project cost for GUYSUCO. It has not yet all been

incurred, there are still monies available in to spend, primarily for the agricultural side of it. The proposal at the very beginning was never to have all the canes. In fact, the full hundred percent of the canes was projected in the very original plan to be in the factory from the year 2010; it was never before that. As the Minister explained there was always the intention that the factory would only get initially in the first year about sixty/sixty-five percent of the cane; the second year - 2009 would have been about eight-five percent/eight-seven percent and then third year which was 2010 would get the 100 percent. As it is the full amount is coming in for the first crop 2011. So there is a little delay, there is no denying that, but while we are not exactly at mark-off point we wanted, which is sixty-five/eighty-five/eighty-seven, we are close enough to have the canes into the factory. It will operate as the Minister explained at a build-up speed so that it gets the maximum, I know in the initial testing they will have to test it at maximum speed, because bear in mind when the engine manufacturers and other providers of equipment sign off their warranty, it is only for a period after that; so there are not going come back and test it later. So I agree during the testing period, that is why you would see so much cane is required, because they have to test it continuously for three days under certain conditions with maximum productivity being challenged and tested, but once it gets back into the normal run it would be build up of that and that has always been in the plan. It is not a today's situation, it has always been there.

The Chairman: Minister, I am continuing my question. The question now becomes even more complex, because I think we would like to know how much have been spent to date of the \$181 million and how much is left of the \$181 million and how much the total project is now expected to cost?

Hon Robert M Persaud: US \$120 million has been spent to date and as the Chairman pointed out there is \$61 million or so remaining, a lot of this will done to focus on the agriculture side and as you would have pointed out and I pointed out in my presentation has been lagging behind for a number of factors and that is where the emphasis would be placed on.

The Chairman: So the total project with all 12,000 acres planted will cost how much?

Hon Robert M Persaud: \$181 million.

The Chairman: Up to now this is your Estimate?

Mr Ronald Ally: We are not responsible for the development of the private farmers. They are responsible for their own development. GUYSOCO may have guided and assisted the process, but they are not responsible for it. So they are investing their own money as we heard, they have gotten bond-financing to carry substantial amounts of it. I know some of them are putting in their own investments so that the farmers' investment is direct from their own resources or borrowed resources and they are responsible for the undertaking of it.

Mr Khemraj Ramjattan: If I may say on that score ... *[Interruption]*

Hon Robert M Persaud: Mr Chairman, can I make a special appeal. I have an important twelve o'clock meeting that myself and one other Member of your Committee will have to be at. So if you can bear that in mind as we proceed.

The Chairman: Minister, I forgot to indicate to Mr Teixeira that I did not expect us to go past 12.15 p.m. In fact it is actually ten minutes after twelve.

Mr Khemraj Ramjattan: Let me just ask this question, could I please? It is a short question.

The Chairman: Yes, Mr Ramjattan.

Mr Khemraj Ramjattan: It has to do with the fact that yes indeed the perception of the cane farmers, they want to see certain things; now the link canal is going up. I know it is done; they have seen something. But the actual question being asked on the ground now is that if we go into cane would it be profitable, because remember apart from the financing, a lot of them have indicated that, because of this rice price thing including him and a lot of the other players around; is it going to be profitable to go into sugar as against rice and just like how they said yes we will go in, but then they did not go in, because they

wanted to see certain things, I think that one of the important consideration will have to be whether planting cane will be as profitable as rice before they get almost thirty percent supply for that factory. What is the diagnosis that it will be profitable? Is there?

Hon Robert M Persaud: Well, the fact the Government is spending \$181 million; I think that is a clear indication that it makes economic sense. The Cane farmers themselves will ... *[Interruption]*

Mr Khemraj Ramjattan: What price will they get for that cane?

Hon Robert M Persaud: That will be worked out with the negotiations. I do not want to get into individual price. But let us look at the big issues. The farmers have has discussions with the bankers and the bankers are confident that it will make money and that is why the bankers are making \$1.6 billion available to them. I mean, as all of us know the world market situation, as all of us know, we cannot control; I cannot tell you tomorrow that the price of rice will be ... it is all based on projection; it is all based on the commodities' trading arrangements, but at the end of the day too, it is about the individual investor make a decision and we are planning in that regard too. In fact the arrangements that we have with the private cane farmers have some sort of guarantee - certain lock-in - the land that is made available to them can only be used for the purpose of sugar can cultivation. It is stated on the lease that they have received. So all these arrangements we have put in place just to ensure that because one crop something looks good that the whole project is jeopardised because of that. This is a long term project that requires long term commitment that requires all of us working together that we have been doing with the private cane farmers and I am satisfied so far that many of them have demonstrated. Strong commitments are going forward with the arrangements and if they fall, there are strategies and options that are available to GUYSUCO in this regard.

The Chairman: Minister, if I might ask a question. In all the documentation to do with the Strategic Plan and the reviews, the question of the split has always been a concern of the Guyana Sugar Corporation, has the Corporation resolve the

matter of the split - the 70/30 - or is it still back at negotiations? I hope that we are not encouraging farmers to get into a business where they expect to get seventy percent of the cost of the sugar and then a few years from now you could only get sixty-six. That should be told to them up-front; we should be as forthcoming as we can possibly be for a situation like that. So I think it is a reasonable question; has the Corporation resolved that the 70/30 split will be something that will be something that will continue?

Hon Robert M Persaud: [*Laughter*] I can understand where that question is coming from Mr Vieira, but I think let us leave that up to the negotiations between the parties to take place - between GUYSUCO and the particular cane farmers. You have the National Cane Farming Committee, I am quite sure they will engage their minds on the details; I do not think that it is appropriate at this time for us to get into those particular details and to influence or prejudice one way or the other what deal everyone will get out of it whether the split is 80/20; 70/30; 60/40; whatever split we do, banana split, whatever split we are doing; let that be done as a result from the negotiations and the discussions.

Mr Winston S Murray: First of all, let me say that at all meetings that were arranged with GUYSUCO with the Economic Services Committee, they came off unless there was an invitation to a meeting to which I was not invited, so I do not know of any occasion where GUYSUCO was invited to Economic Services meeting and only they turned up. I know of no such occasion.

But on the last occasion when we met with GUYSUCO, they talked about their Strategic Plan. I remember it being stated clearly and I think the current Chairman was the Chairman at that time as well that GUYSUCO's objective was profit maximisation. I would like ask whether that remains GUYSUCO's objectives in all of its plans for expansion and growth in the sugar industry.

Hon Robert M Persaud: The phrase *profit maximisation* is a very open phrase.

Mr Winston S Murray: No.

Hon Robert M Persaud: What is GUYSUCO's objective is to be profitable and at the same time looking at the various social and other broad economic considerations that we have to bear in mind. We will all appreciate in terms of GUYSUCO's contribution to foreign exchange earning in the country. We all appreciate the role that GUYSUCO plays in ensuring macro economic stability. We all appreciate the reported role in terms of its social contribution to the various communities and so forth. All those are functions and objectives which the Corporation cannot ignore and they all have to work in tandem with ensuring that the Corporation is profitable. I will tell you up-front, as part of the business plan, there are some years where GUYSUCO will not attain profitability, but eventually it will get there. So when you get the document and say, take for instance two or three years whereby you are not achieving *profitability* in dollars sense. It does not mean at the same time that GUYSUCO has not been able to achieve its other important national objectives. GUYSUCO is a very peculiar Corporation; it is just not another business; it is just not another Government entity and I think all of us here are astute enough to appreciate that fact.

Mr Winston S Murray: Mr Chairman, through you, I take it that the short answer to my question is that GUYSUCO's objective is not profit maximisation. That is the short answer to my question.

Hon Robert M Persaud: I think that is an unfair assumption based on the details and the explanation I have given.

Mr Winston S Murray: But Sir, no, with great respect let us not pull punches at each other. I can understand GUYSUCO has social objectives, but don't you detract from profit maximisation. We cannot have it both ways and I do not see anything wrong with you admitting that it is not our objective to maximise profit, our objective is to be profitable taking account of A, B, C; so I am saying that there is a short answer to the question, it is not profitable.

Hon Robert M Persaud: The short answer is that we want to be profitable, but at the same time take care of all the other objectives that the Corporation has.

The Chairman: With the greatest of respect Minister and with due regard to the Member's comment, you cannot have it both ways. It is a compromise between profitability and what is socially just that will drive the Corporation.

Hon Robert M Persaud: And GUYSUCO's aim is to attain harmony with the two. *[Laughter]*

Mr Khemraj Ramjattan: Are we going to get these documents? They are so important that we get it?

Hon Robert M Persaud: No, the documents will be provided once we completed the various ... we are engaged in discussions with the EU and some other stakeholders in finalising ...

Mr Khemraj Ramjattan: How early?

Hon Robert M Persaud: I do not want to tell ...

Mr Khemraj Ramjattan: Give us a projection.

Hon Robert M Persaud: I would say some time in the last quarter of 2008.

Mr Khemraj Ramjattan: Thank you very much.

The Chairman: Minister, I do not think that we have anything further. I thank you for coming; I thank the Members of your team, Mr Jackson and Mr Ally, the Chairman of GUYSUCO.

Is there any Member who would like to make a statement in thanking the Minister?

Mr Winston S Murray: Yes, Sir, I would like to express great and deep appreciation to the Minister and to his team for having responded so readily and for indeed answering very fully even where we may not wholly agree with all that was said, but they have been patient with us and have attempted to answer very fully all the questions we raised. I believe that that is a good way on which to build confidence not only within the workforce of GUYSUCO, but among the Parliamentarians such as those of us here, who have responsibility for oversight

of various agencies including yours and so for me, it is a very good basis on which to build a healthy relationship into the future. Thank you.

Hon Robert M Persaud: Just to say that our presence is being at your disposal.

The Chairman: Thank you Minister and thank you members of the team.

12:23H

[Minister and his team withdraw from the Meeting]

ANY OTHER BUSINESS

(i) Date for next Meeting

The Chairman: Since certain Members are pressed for time, could we defer the correcting and the adopting Minutes and simply set a date for the next meeting where we have to discuss both the Sugar Corporation and GPL.

Is next Friday the 18th okay with everyone at 9:30h?

Mr Gail Teixeira: Could I ask one thing? I agree with you, let us meeting on the 18th, because we have some tidying up to do.

(ii) Verbatim Records

But I just want to raise one point; in the verbatim records for the Prime Minister, I think it is in the Standing Orders that the person who brings the hearing should have the opportunity to see the verbatim to make corrections. I think that is also in the witness thing what we are dealing with in the Manual, but it is in the Standing Orders and that when we do the one for Minister Persaud and GUYSUCO, we should do the same thing so as to make sure that the record is correct, but we will meet on the 18th then.

The Chairman: Yes. If that is what the Standing Orders say then by all means please let us do what it says.

Mr Winston S Murray: It seems only sensible; I mean we should not be putting in our verbatim minutes what people without people having the opportunity to look at it to make sure that it is accurately recorded what they said.

Ms Gail Teixeira: Yes, it is the same problem we have as MPs, we want to see our speeches too.

The Chairman: Unless there is no other business, I shall now declare the meeting concluded.

I believe they have provided lunch for those who live far away like Mr Khan. I myself will let it pass; I have a lunch appointment.

[Adjourned Accordingly at 12:25h]