by PETER WEBSTER

“HITLER’S DICTATORSHIP . . . made the complete use of all technical means for domination of its own country. Through technical devices like the radio and loudspeaker, 80 million people were deprived of independent thought”.
— Albert Speer – Hitler’s minister for armaments and production.

“If you repeat fiction often enough it becomes fact” — Joseph Goebbels, Hitler’s minister of propaganda.

THE PRIME MINISTER, the Minister of Agriculture, other ministers and Government sympathisers in Barbados have recently been repeating the statement that “Government had intervened in the 1960s to save the sugar industry that had long been in decline in the face of private sector mismanagement”. Why seem that they subscribe to Goebbels’ theory.

It is crucial therefore that we people and the media ensure that every time such misleading fiction is repeated and propagated in the media, the facts are restated otherwise twistory will result.

This is especially so in light of a recent Brass Tacks contribution to the effect that “history can also be a perception”, with which the moderator agreed. Unfortunately, incorrect history or twistory cannot correctly teach and guide those coming after. If you do not know how you got where you are (history), it is more difficult to determine how you want to go. Just as well, if you do not know where you are going — any road will get you there.

1950s, 1960s high

The incontestable facts relating to the history of the sugar industry in Barbados are that the Barbados private sector-managed sugar industry was recognised internationally as one of the most efficient and competitive in the world all through the 1950s and 1960s. This is supported by documented yields of sugar cane averaging over 30 tons per acre; factory conversion rates of less than 9 tons of cane per ton of sugar; which translated to more than 4 tons of sugar per acre; milling costs of less than 1/3 of the total production costs, which were attributable to highly skilled labour and management that were able to keep old processing equipment functioning efficiently at capital costs that were the lowest in the world.

In comparison, current yields in the industry now managed by the Government are less than 18 tons of cane per acre; conversion rates are more than 12 tons of cane per ton of sugar; which amounts to less than 2 tons of sugar per acre; and milling costs are approaching 50 per cent of the total production costs.

Prior to 1971 the sugar industry in Barbados had to have been well managed by the private sector supported by the skills and ingenuity of many Barbadians from all walks of life in order to achieve what it did. This is evidenced by several innovations and inventions by Barbadians such as the rush-cush; the clarifier (subsidy); furnace pile level control; and the automatic cane grab in the processing; and sub-soiler sweeps; the cane hole; bin tippers; hydraulic angle dozer; and new cane breeding protocols in the field, just to name a few that are now used around the world. All of the foregoing before the Government of Barbados enacted legislation, The Sugar Industry Act 1971, which was later described by independent international consultants (Landel Mills report 1979) as “dramonion”.

Up until that time, the industry survived with little or no profit between “windfalls”. Normally the sugar export market was over supplied and highly competitive, but sugar production shortfalls in other parts of the world would occasionally (5 years average) drive sugar prices up resulting in windfall profits for our sugar producers that allowed producers to rehabilitate, renew and recapitalize their industry which would have failed financially without those windfall profits.

The Sugar Industry Act of 1971 gave the Government the power to:
1. Take away (tax) all the sugar industry’s windfall profits up front before the industry even got them. These taxes amounted to more than BDS$50 million in the windfall years of 1974 and 1981 (which could have built more than three new sugar factories at a time when the minimum wage was $8 per day). $50 million does not sound like much now but at current values that tax amounts to the equivalent of more than one billion BDS$. The sugar industry could have remained profitable and competitive but for that windfall tax; 2. Legislate wages in the industry. In the ensuing ten years the Government legislated wage hikes of more than 120 per cent to levels that the industry could not support especially after the Government had “buffed” all the industry’s windfall profits; 3. Guarantee full-time employment in an industry which had always been seasonal.

These actions were politically and socially desirable but they essentially took control of the industry from the private sector and ceded it to the Government while taxing the industry to bankruptcy. In the process capital was also depleted as no sane private individual would invest in an industry labouring under these conditions.

Furthermore, the Government was warned that it was killing the “goose that had laid the golden egg” (reference published articles in Barbadian newspapers circa 1971). The industry that financed the Deep Water Harbour, the Queen Elizabeth Hospital, new schools and roads across the island before 1971, mainly through the windfall profits which ended up in the economy of the country as a whole. The Government did not need to take the windfalls up front as they always ended up in the economy anyway.

Furthermore, we should not forget that in 1971 the Government also promoted its policy of crop diversification from sugar and removed all support for sugar through the Ministry of Agriculture. This non-sugar policy was maintained until the Minister of Agriculture formally changed it in 2006. Given the foregoing, it is unreasonable to conclude that private sector mismanagement contributed anything to the decline of the industry. What could the private sector have done with no capital, no profit incentive and no policy support?

In fact, it was the Government’s policies of excessive control and nonsupport coupled with greed that seriously damaged the industry. It may also be argued that Government’s policy was one of deliberate destruction of the industry following the “no cane blade speech”.

See how the Barbados sugar production graph fails spectacularly after 1971. It is also interesting to note that the steepest increase in production followed the huge windfall circa 1950.

Furthermore, do not stop at 1990 but follow the continuing decline of the industry after the Government’s intervention. What did the “rescuers” achieve by their intervention? Did the Government do any better than the

History, his story and twistory

Continued on next page.
maligned private sector?

Twenty-four years of continuing decline later, Government is telling us that there is a panacea. A perfect fix! A new sugar processing facility costing $500 million is the solution. This is being made to sound reasonable (Goebbels again), but what is the experience? Check out our neighbours in Guyana.

Twelve-years ago GUYSUCO, the Guyanese equivalent of BAMC, proposed a new factory at Skeldon, adjacent to the Corentyne river, to be the panacea for their declining industry. GUYSUCO got the Chinese to build a $500 million (sounds familiar?) factory at current prices that is now a production disaster. Achieving sugar extraction rates substantially less than those of the old Skeldon factory.

So they are now blaming the Chinese. It is always somebody else’s fault. Like West Indies cricket, which after being on top of the world disintegrated through absolute arrogance that precipitated the loss of the English county cricket training experience and now needs more private sector discipline and less Government employee mentality to recover.

A year ago at the ceremony marking the reopening of the Almond Beach Hotel, the Minister of Tourism remarked that the Government was now turning to the private sector to run the former failed GEMS hotels because the “Government employees could not run anything”.

Can we reasonably expect BAMC to do any better than GEMS? Or the Transport Board? Or BMC? Or NPC? Or Harrisons Cave? Or CBC? Or BADMC? Or UDC? Or RDC? Or QEH? When last did they produce a budget? Can we identify any successful Government run enterprise that is an exception to the rule?

BAMC now achieves sugar cane yields 20 per cent lower than their private sector counterparts, and their cost of production is 100 per cent higher. While we are at it, we should not forget that there is a difference between our Barbados case and Guyana’s.

In Barbados we have a “finder” of financing for the proposed panacea whose “finder’s fee” could amount to as much as $62 million. Wow! The lifetime earnings of thousands of Barbadian workers all added together will not amount to that and at a time when thousands are “scrumming” with no earnings at all. A fee which has to be paid whether the new processing facility is successful or not. Oh, transparency where are you in all of this?

In any case, a $500 million investment in the sugar industry cannot be financially feasible unless it cultivates a minimum of 25,000 acres of sugar cane. We are currently cultivating less than half of that and are unlikely ever to get near that area again. The annual debt service alone on a $500 million investment is more than the total annual value of the current industry and that does not take into account all of the other input costs. Has a credible and independent financial appraisal (due diligence) been conducted on this proposal? Is that not why the Japanese dropped it like a hot potato? Round and round we go . . . .

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