Document

Sugar Industry Strategic Plan

Sugar Commission of Fiji[1]

CHANGING ATTITUDES
Implementing "Best Practice" for a new World in Trade

"Our future lies in our working together as a team"
Ratu Sir Kamisese Mara

Introduction

Sugar is the backbone of our national wealth. Since independence it has funded the growth of the economy, earning farmers, workers, suppliers and government billions of dollars to develop infrastructure and raise the standard of living for all.

Now the industry is facing a challenge to adjust to major changes in the market. To progress and develop in the new millennium we require a change of attitude by all stakeholders.

We must invest in extra efficiency, cut costs through automation, improve mill capacity, and educate cane growers on how to increase their income.

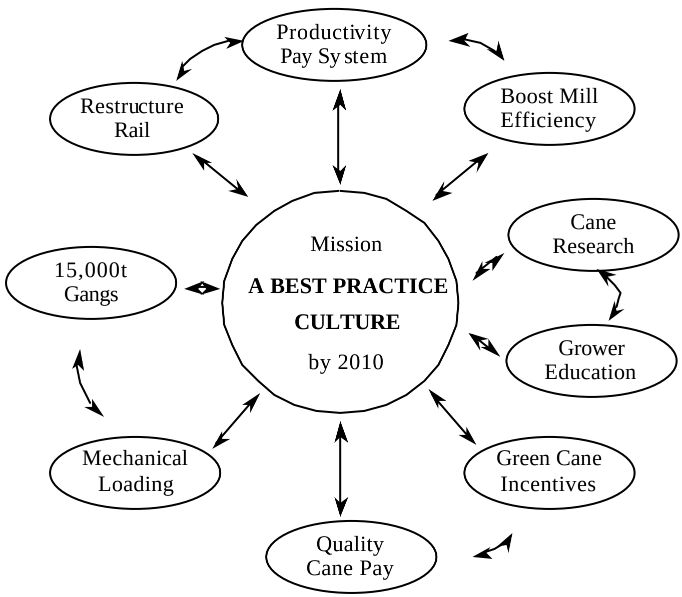
Over the past decade the industry has carefully laid the foundations for change, through major consultancy reports, field studies and various mechanisation trials to evaluate appropriate Best Practise standards.

[1] The Strategic Plan is reproduced here without any change to the text. Appendices referred to in the document are bulky documents, thus are not reproduced.

From this position of strength, and following exhaustive consultations and analysis, the Sugar Commission of Fiji has now set a clear course to achieve industry goals through our strategic plan ‘changing Attitudes’.

You hold the blueprint to our future in your hands. Please read it carefully.

Gerald Barrack
Chairman,
Sugar Commission of Fiji



Overview

This strategic plan will ensure the Fiji Sugar Industry flourishes in the 21st century, and meets the demands of new market realities by improving its core efficiencies.

The reform agenda is comprehensive in scope. The recommended actions are firmly based on in-depth external consultants reports on farm productivity, mill-efficiency and rail operations, as well as mechanisation trials, field studies, cane research, detailed economic analysis and extensive liaison with all stakeholders.

The strategic vision shaping the plan is for the sugar industry to be a healthy and sustainable industry that cares for its environment, rewards excellence, caters to multicultural aspirations, strives to have an appropriate Best Practice work ethic, and aims to become competitive in the World Market between 2010 and 2020.

There are no substantive reasons why sugar should not remain the backbone of the economy. There are mainly problems of perception: a resistance to change with the times, and the mistaken belief that maximising sectional interests ensures best returns. Hence the title of the plan is 'Changing Attitudes'.

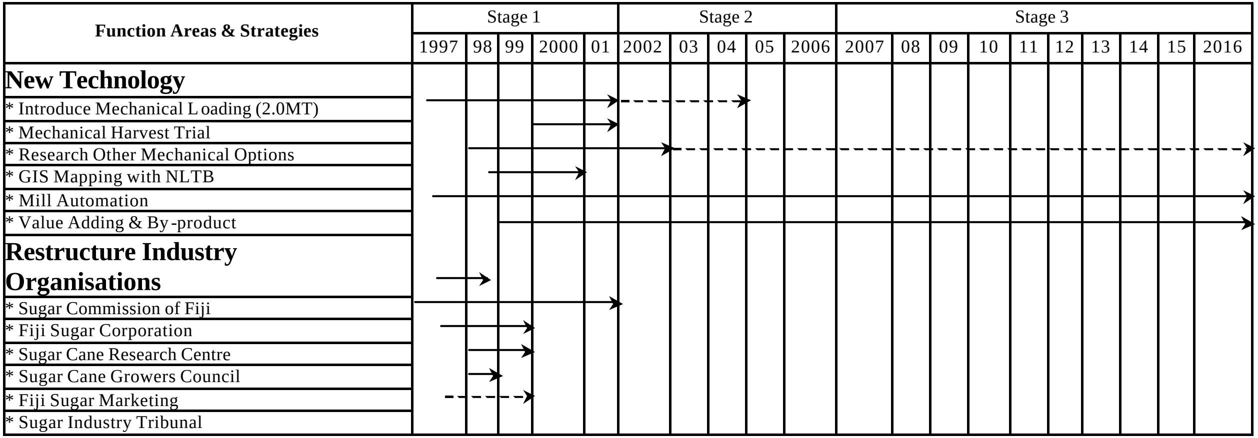
The analysis underlying this plan shows it will take two decades before Fiji can reach a sufficient level of efficiency to compete effectively under the WTO rules. It will require a dedicated effort, and substantial time to help level the playing field. To reach a globally competitive Best Practice culture depends on a host of co-independent initiatives for which sound partnership agreements are necessary. New rules are needed, because the old regulations are strangling the industry. The viability of farm and mill into the 21st century also demands simultaneous investments by various parties and co-ordinated improvement in all aspects of the industry. Sugar industry operations are highly interrelated.

The plan therefore is an integrated package of change that stands or falls together – ranging from improved sugar cane variety mixes and crop husbandry skills to sustained grower education and industry communication programs; from mill efficiency upgrades and new quality control measures to workplace reforms and productivity incentive systems; from sugar cane research infrastructure and regional development to field mechanisation and rail transport restructuring.

The strategic plan has identified seven core strategies for industry development, with an initial focus for the 1997-2001 period. A review of these main strategies should be conducted in 2001, before the start of the second five year period when Quality Cane Pay is close to starting and lease uncertainties are resolved.

The Agenda of Reform spans 20 years in three distinct stages.

Function Areas & Strategies	Stage 1					Stage 2					Stage 3									
	1997	98	99	2000	01	2002	03	04	05	2006	2007	08	09	10	11	12	13	14	15	2016
Communication																				
* Best Practice Campaign																				
* Quality Cane Education																				
* Public Awareness/PR																				
* Relation with EU																				
Investment																				
* Mill Efficiency (a) Season 26 weeks																				
* Mill Capacity to 4.6MT																				
* Railway Upgrade (7Km to 14Km/h)																				
* Farmers Bank (Study)																				
* Vanua Levu Infrastructure																				
Quality Control																				
* Land Utilisation Board																				
* Sector Based Targets																				
* Worker Participation (see 5.5)																				
Railway Restructuring																				
* Invest in Rail (see 2.3) ($40)																				
* Create Independent Profit Centre																				
* User Pay Charges																				
* Improve Tractor Trailer Operation																				
* Transport Other Cargo																				
Productivity Incentives																				
* Trial Quality Cane System																				
* New QCP Enhanced Sharing Formula																				
* Green Cane Bonus Schemes																				
* Trial Mill Q.W. Payments																				
* Mill Quality of Work Pay Payments																				



* Total Target in Extra Sugar from 4MT	50.000 Tonnes P.A	100.000 Tonnes P.A	Up To 130.000 Tonnes P.A
* Sugar From Extra Mill Capacity	----------------	50.000 Tonnes P.A	75.000 Tonnes P.A
* Total Accelerated Investment Needs	&80m	$40m	---------------

Stage	Date	Focus	Main Strategies
1.	1997 – 2001:	"Investing in Efficiency"	Introduction Productivity Payments Re-organise Industry Institutions Revitalise Rail Transport Invest in Mill Efficiency Improve Public/Grower Awareness Phase in Mechanical Loading Start Land Utilisation Board User-Pay Charges on Rail
2.	2002-2006:	"Quality Cane Benefits"	Introduce Quality Cane Pay Set Sector Based Targets Improve Rail/Farm Interface Selective Mechanical Harvesting Optimum Mill Efficiency/Capacity
3.	2007-2020	"Best Practice Culture"	Maximise Sugar Content/Acre Expand in Vanua Levu Automate Mills appropriately Increase Mill Capacity to 4.6MT

Vision 2020: From 'a Way of Life' to 'a World Competitive Business'

The sugar industry faces more than an external threat in the European Market. There are two additional challenges it has to adjust to, as a result of expansion over the past 25 years: The wage costs are blowing out dangerously, while the underlying productivity indicators have been dropping at 6% per decade since 1966.

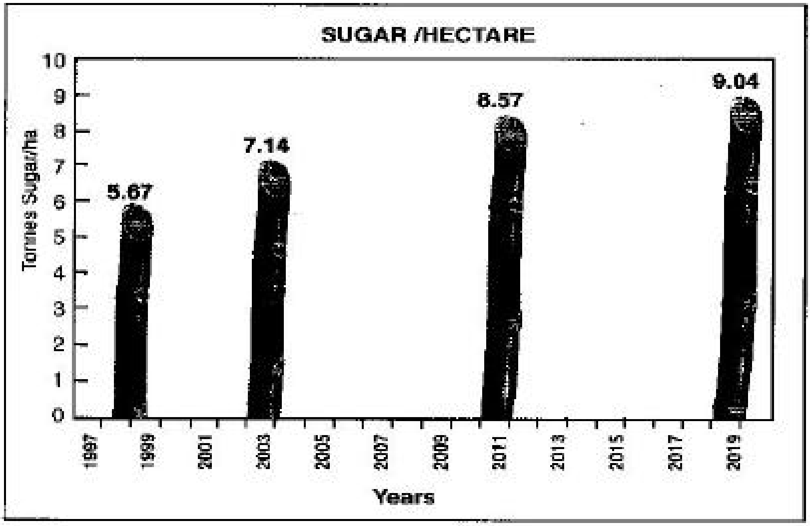
Failure to address these issues co-operatively, timely and effectively will see the industry shrink under combined market pressures – first with a loss of viability of indebted farms, followed by the closure of rail services and bankruptcy of farms, and serious job losses. Cane volume would drop to 3 million tonnes per year, government revenue would diminish by at least $50M p.a., and the currency may devalue. Restructuring the sugar industry to a globally competitive 'Best Practice Culture' amounts to a sustained effort by all stakeholders to overcome these threats by:

1. Increasing the sugar per hectare efficiency from existing tonnage by up to 20%.
2. Raising farm productivity by growing up to 20% more cane per hectare.
3. Raising mill capacity from 4.0 to 4.6MT or 15% (assuming 5% of land will go out of production) to have the mill capacity to cater for extra farm production.
4. Lowering controllable farm and mill production costs by 15% to 20%.

These four goals to improve the bottom line underlie the industry core strategies, and are supported by a variety of supporting measures, such as the promotion of inter-cropping, and a stronger focus on marketing and new product development.

Because the extra sugar produced may have to be sold at world market prices, this chain of improvements may only lift the bottom line by 25 to 30%.

Still, for most farms that is not only enough to remain viable producers under WTO, but will enhance the profit of cutter, grower, miller, government and the community. In average terms, the totality of the industry development reforms will increase grower incomes by at least $6.00 per tonne over trend expectation, increase cane output by 20%, and lower production costs by $5 per tonne.



To achieve these all important increases in efficiency, the sugar content of cane (POCS) and the mill co-efficiency of work (COW) need to improve systematically. That will be impossible without accelerated investment in mils, railway and farm. Over and above FSC's usual Capital Investment Program, $85m is required to get the benefit of a 26 week crushing season, and $40M is needed to upgrade the rail system and double average loco speed from 7 to 14kmph.

The plan calls for the Fiji Government to re-invest its sugar export tax into the industry, and for growers to start sharing in the industry investment, to give the industry a sound financial basis for improved efficiencies. The return on these investments is excellent, for FSC, sugar cane growers and for the Fiji community.

Without either Government and Growers coming to the party, the industry will not be able to restructure successfully, and the industry will wither and go in decline.

But to change the underlying productivity of the Fiji Sugar Industry will take more than money and facilities. It will require a change from a well established way of life to a new level of professionalism for mill employees and for sugar cane growers to regard farming as a competitive business. This will require a long process of re-education and the plan calls for a promotion budget of up to $100,000 p.a.

The change program is further complicated by the aspirations of a significant number of Fijian landowners to start farming their own leases after the lease terms of the current tenants expire. It is hoped the resulting uncertainty about ALTA may come to an end for it has been polarising sectional interests and hinders essential structural reforms.

It is clear that Fiji will require access to the European Union on current terms for at least 20 years. There is no shame in that and there are several very sound arguments for a continuing preferential relationship. Even Asian tigers have asked APEC, and received some shielding from free trade before the year 2020.

It stands to reason that the sugar industry must step up its interface capacity with its key customer, and receive strategic support from the government. An Embassy is required in Geneva to assist in WTO negotiations. Fiji Sugar Marketing requires video support to explain Fiji's situation, and more European decision makers should be invited to our shores to see with their own eyes what effect their vote will have.

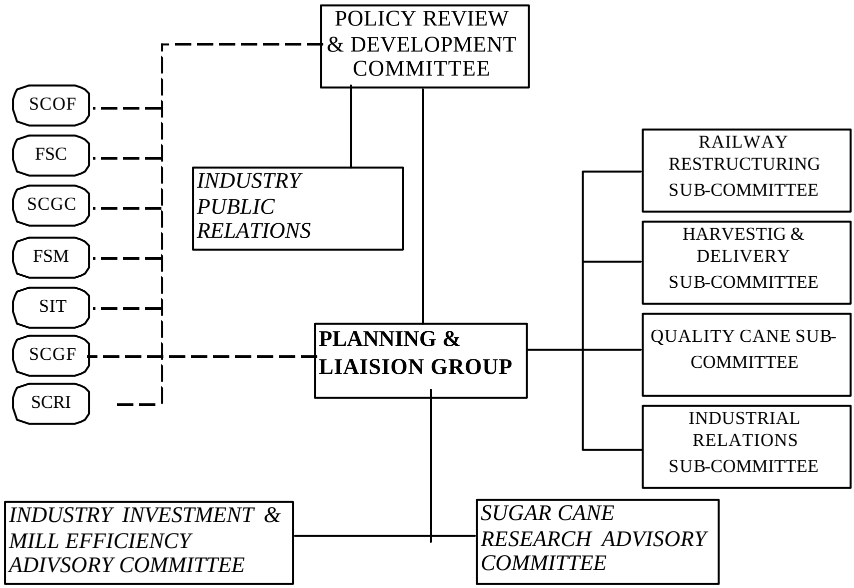
Implementation: A Co-operative Framework to facilitate Industry Change

The restructuring of the industry will take years of dedicated effort in highly specialised areas. Increases in efficiency are hard to achieve without growers, miller and mill employees working together on common problems. Some of this effort requires investment; all of it needs greater co-ordination between partners.

The sugar industry strategic plan has created a new committee structure under the auspices of the Sugar Commission of Fiji, to effect necessary changes. During the planning period, these committees have already started to contribute significantly to industry development and detailed rolling action plans have been created by each committee. (See "Action Plans 1997 – 2000" available through SCOF).

These SCOF committees are not decision making bodies because the various participating organisations remain independent. Instead, the committees will act as inter-organisational teams, developing proposals for consideration, facilitating the implementation of agreed programs, and acting as expert reference panels.

By necessity, this strategic plan is limited in its ability to lay down detailed guidelines for all aspects of future industry change requirements. But the various committees are designed to fill this need, and it is important to invest in the training of committee members and to nurture leadership and technical abilities.



The Industry Investment & Mill Efficiency Advisory Committee will provide the cost/benefit analysis of various investment proposals and funding applications, including the assessment of a new Cane Pricing Formula under the Quality Cane Pay system. This committee will also guide the restructuring of Fiji Sugar Marketing.

Fiji Sugar Marketing (FSM) is set to become a fully industry funded organisation, taking responsibility for the sugar shipping function, and provide industry with an improved capacity to study markets and market new value-added end products.

The industry strategic plan proposes to improve mill efficiency by means of:

(1) Industry investments on special terms to boost mill efficiency af-

ter cost/benefit analysis by the Industry Investment & Mill Efficiency Advisory Committee.

(2) Introduction of productivity pay incentives for all FSC employees to reduce costs and stoppages, and improve sugar recovery.

(3) Enshrining minimum efficiency standards into an enhanced cane pricing formula under the new quality cane pay system starting in the year 2001.

The Quality Cane Sub-Committee guides the introduction of a new system and a formula of measuring the sugar content of cane through core sampling. Proposed for full implementation from 2001, the Quality Cane Payment system not only allows for productivity payments to growers, but also has incentives for the miler.

One of the central causes why the industry is losing efficiency lies in its payment systems. The uniform pay-packets for grower and mill employee are out-dated, and stem from colonial days when performance standards were consistent. These old standards no longer exist. To unlock the hidden wealth of efficiency, the industry will have to have a sliding pay scale that recognises individual excellence over mediocrity, hard work over laziness.

Another cause for the loss of efficiency lies in the limited reinvestment capacity of the Fiji Sugar Corporation. Between 1970 and 1980, the industry revenue Sharing Formula was changed three times reducing the miller's earning by 33% in favour of the growers. No enterprise can be stripped from its revenue base like that and perform at maximum efficiency and no mill employee can be fully productive when re-investment is below optimum.

The new Quality Cane Pricing Formula will help overcome this, and provide both grower and miller with financial incentives to invest to improve efficiencies.

The Industrial Relations Sub-Committee guides the introduction of productivity payment incentives in the mill, and assists with an improved framework of employee relations. The accent in future will lay on effective teamwork, innovation, and cost-consciousness, in addition to a new focus to reach station based goals.

Productivity payments are a cornerstone of a healthy industry, and a system of measuring individual performance is tested in 1997 for introduction in 1998.

The introduction of productivity payments will go hand in hand with improved employee relations, grievance procedures and union/management partnership.

The Harvesting and Delivery Sub-Committee is overseeing the introduction of mechanisation in the harvest; aims to improve harvest communication systems and reduce stale and burnt cane. Mechanical loading is a key ally in reducing harvesting cost. It also overcomes labour shortages and doubles cutter incomes.

The Sugar Cane Research Advisory Committee was set up to facilitate the creation of independent Research and Extension Services. There is a great distance between the poor performance of many growers, and the excellent results obtained on research plots and grower education is high on the agenda.

The industry will require independent advice on the optimum mix of cane varieties for different soil types, to improve farm viability and give a scientific basis to quality control in each of the 38 sectors. Fiji also requires the development of additional varieties and the protection of continuing research in disease control.

Sugar Cane Research requires new facilities and an expanded budget to ensure the National Objectives can be achieved. Aid funding will be required to build and equip a new centre and the extension services require further development.

The Railway Restructuring Sub-Committee is charged with the difficult task to oversee the reform of rail transport and mark more efficient use of rail assets. The cane rail system needs to carry 3 million tonnes at two thirds of current costs in order to give all potential rail farmers on-time service and reduce the heavy cost burden of rail to lorry conversions to growers. Currently, the cane rail system transports 2.1MT, down from 2.65MT in the early nineteen eighties.

Rail transport is a victim of unsustainable regulatory obligations, funding capacity and work practices. To improve its performance a separate rail division must be created, eventually supported by user-pay charges on a zone basis, with volume discounts to encourage gang amalgamation, and halt the wastage of too many stops.

The rail system requires extensive track repair, a host of new cane trucks and a fleet of new locomotives. The excess amount of aged stock that now clutters up main lines costs millions to repair each year. It is estimated that $40M of Industry funds are needed for the upgrade between 1998 and 2002.

Once the upgrade is in progress, by the year 2000, all users should pay for services to sustain the system. While this new strategy appears to place rail growers in the difficult situation of having to pay extra charges at an inopportune time, the picture is not quite that grim. In fact, the pay-back on user-pay charges is very good indeed, returning more than three times the average tonnage charge.

The favourable pay-back on user-pay charges is due to the potential savings by rail growers on lorry transport, and the substantial revenues from extra sugar. The analysis that supports these calculations, has been cautious. The target for 2010 is to recover 107,000 tonnes more sugar from 4 million tonnes of cane lifting production from a trend expectation of 427,000T to 534,000T.

This extra productivity flows from Best Practice benefits. It implies a major reduction in burnt and stale cane – by removing its primary causes. This target has been kept well below current research achievements, and well below historical capacity: An average sugar content of 13.4 POCS is eminently achievable.

Even though the Return On Investment for Government and The Industry is very promising. it will take strong leadership to explain these benefits to the community.

But there are clear precedents. In the 1920's Fiji faced a similar problem, when sugar prices fell stagnant, and the cost of production on CSR estates escalated. To restructure the sugar industry the Export Tax on sugar was waived. Clearly, history proved that was a very sound investment for Government and the Fiji community. As a result the small leasehold system was introduced.

The Fiji Sugar Industry again faces the need for a new and unified development philosophy.

10 Point Action Plan

1. **All Industry Organisations: Communicate Best Practice to Constituents**

   Use Television, radio, and regular press news to propagate on the benefits of the change program. Fund $100,000 per year by SCOF Best Practice campaign from 1998.

2. Government: Invest Sugar Export Tax in upgrading Industry Efficiency

Request the Fiji Government to re-invest the proceeds of the Sugar Export Tax to upgrade mill efficiency to world competitive Best Practice standards. After 2002, invest 50% of the Tax into Cane Research.

3. FSC and Growers Council: Invest $40M of Industry Revenue in Rail and Mill efficiencies

Industry to match Government investment dollar for dollar initially to upgrade the rail transport system over five years to double effective speed, and to increase capacity by 1MT.

4. Land Utilisation Board: Improve Quality Control on the Use of Leases

Set up a Land Utilisation Board with NLTB. Lands and Town Planning Dept., to ensure that cane leases comply with Best Practice management guidelines.

5. FSC, Growers Council, and Extension: Focus Quality Control on Sectors

Focus research, data analysis, field services, extension, performance targets and mill area representation on a sector basis, supported by GIS mapping.

6. FSC, and Growers Council: Restructure Rail and Introduce User-Pay

Set up a separate Rail Division - once customer service is improved (see #3) and share the cost of rail transport with rail growers, according to the Sharing Formula 72/28, charging a zone based user-pay charge from 2000.

7. FSC and Growers Council: Start Quality Cane Pay & Green Cane Bonus

Introduce the quality cane payment system to reward growers for the sugar content of their cane, and the diligence of their harvesting methods and fund an anti-burnt cane campaign to reward the best gangs in each sector.

8. Sugar, Unions and FSC: Introduce Mill Employee Productivity Incentives

Introduce productivity incentive payments to reward mill employees who increase mill efficiency by reducing costs, stoppages and recovering extra sugar.

9. SCOF, Growers Council and Growers Fund : Phase-in Mechanisation

Ensure rapid introduction of mechanical loading to cut rail stops, reduce harvesting costs, and double cutter incomes. Facilitate 100% loans via the Sugar Cane Growers Fund.

10. All Industry Organisations: Update the Purpose of Industry Institutions

Facilitate industry change by improving the operations of all institutions, reviewing the Master Award, and inviting the NLTB to join SCOF.

1. Promote the Benefits of Change

It is a long way to the European Union where most of Fiji's raw sugar is refined. Yet it is in Brussels and London that the future of the Sugar Industry may well be decided. A stroke of the pen in Geneva could destroy the economy here in a few years. The World Trade Organisation has big brains. But does it really know Fiji?

There is also a great distance from the executive offices of Suva to the hearts and minds of harvesting gangs, mill employees and farmers in the cane fields. Out there, the threat to Fiji's traditional markets is still largely a paper exercise, far removed from the rhythm of the rural life, and the whistle of the morning shift.

In cane areas the news messages of price uncertainty and industry restructuring are too abstract to change opinions. There are already so many things to worry about each day. Deep uncertainty about the renewal of native land leases, cyclones that destroy a part of the crop, farm debts that keep on mounting up, impassable cane roads. Why worry about farm profitability after the year 2000?

Thus, the first and foremost strategy to be employed by all Sugar Industry institutions, is to educate all stakeholders to embrace Best Practices to overcome inefficiency; to broadcast Industry achievements and new restructuring plans in the media; to inform growers, workers and the public of progress made, and continually strive to promote the financial benefits of change. Leadership must be visible! Successful teamwork can only happen when all the players know the game plan.

The benefits of changing work habits are substantial and vital in the WTO market climate. Cane growers can boost farm income by improved planting, husbandry and harvesting methods. Harvesting gangs too can double their wages through mechanisation. Rail costs and haulage time can be halved, saving millions in opportunity losses. Mill employees can significantly improve their incomes with incentive payments by improvements in station productivity.

There is a specific need to focus cane growers awareness on the mechanics of the quality cane program. Traditionally, growers have been paid by the tonnage. The proposed shift to pay for sugar content will lay the foundation for a more competitive industry. But the new price sharing system must overcome old suspicions, and requires an understanding of the real benefits to the community.

To be successfully introduced, a multi-lingual PR campaign will be required over a three year period from 1999 to 2001, including TV and Cinema advertisements.

It is also necessary to vastly improve community appreciation of the activities and achievements of the Sugar Industry. Public debate on matters of detail has created a negative impression of the industry as a whole. Decision makers are regularly attacked in the press by populists offering simpleton solutions to complex issues. Careers are made by doomsday sayers and panic merchants. The impression bystanders get is of a falling industry, riddled with problems.

Nothing could be further from the truth. Like any commodity, sugar has its cycles. But Fiji still proudly produces mountains of sugar each year. The Sugar Mills are efficient by international standards. Compared to CSR the FSC now mills two times the volume of cane, yet manages to do so at only two thirds of the income base. Mills also invest millions of dollars each year in major capital works, and pay over $30 million dollar in wages per year.

The Fiji sugar industry is a quite achiever, but it has many a good story to tell! The industry is vibrant with technical trials, training programs, seminars, investment, innovation and research programs. It is important that these stories are heard and seen in Europe, and fully appreciated by the local public and by government.

Fiji's national interest may be submerged in the implementation of new WTO trading rules. It is vital to continuously raise public awareness; to help ensure that all stakeholders in the industry are adequately informed of the issues and of the progress towards stated goals, and by greater knowledge and support of Best Practice initiatives.

The key messages of the 'Best Practice Campaign' include the promotion of Sugar Cane Research and Extension Services, farm income growth potential and techniques, mechanical loading benefits, and the pride of working in the Sugar Industry.

Implementation

SCOF's Policy Review and Development Committee will regularly inform the media on the progress made by its sub-committees. FSC, SCGC, SCRC & ROC have set public education goals including regular press releases, radio programs, in-house and member magazines, and the ongoing Extension Services to growers.

The multi-media Best Practice campaign requires formulation before responsibilities can be assigned. It is recommended that, in addition to the advertising production costs, a media budget is set aside of up to $100,000 p.a. through SCOF. This investment is to teach key Best Practice techniques to the community of cane growers and stakeholders in the Sugar Industry, as well as promote the substantial financial benefits of changing work practices.

INDUSTRY DEVELOPMENT DIRECTIVE #1

"The Industry Has To Inspire Growers, Workers And Public, And Replace Cynical Complacency With Clear Information"

For this strategic plan to be effective, and to have a fighting chance of success at all, the gaps in understanding amongst sugar industry stakeholders will need to be bridged by a new commitment to regular and professional communication.

Poor growers often do not realise how they can improve their incomes by 20%. Many Mill employees lack a sense of pride in their industry. The media has forgotten that the Sugar Industry is a noble, quiet achiever that pumps $300 million dollars per year into the Fiji economy. The under-employed have not woken up to the fact that cane farming is good and healthy work, lucrative enough to build a family in the country, with an enviable quality of life.

It is time to look upon the news media as an ally, to move away from conflict based, negative press stories to sharing information on the challenges to the industry. Prepare to play on the WTO "level" playing field by embracing Best Practices. It is a challenge that will affect the pay packet of everyone in the country.

STRATEGY 1.1 Communicate the Steps towards Best Practice Goals

(1) Engage a PR Consultant to create a multi-lingual media strategy
(2) Use FSC, SCGC and committees to formulate Best Practice guidelines for farm management, planning, husbandry, harvest, delivery
(3) Estimate the benefits for individual stakeholder and industry
(4) Create brief outlines of messages e.g. when to plant what variety
(5) Produce and distribute videos, (some through the ROC team)
(6) Embark on a systematic media campaign, including TV, Cinema
(7) Measure the recall and effectiveness of the advertisements
(8) Print various Best Practice steps and objectives in in-house magazines
(9) Select a local expert with a high profile to deliver media messages

STRATEGY 1.2 Educate Growers and Mil Employers on Quality Cane Benefits and Workings

(1) Use the Best Practice Media Campaign to introduce Quality Cane Pay
(2) Start the campaign by visually showing a trial during the testing period
(3) Explain the mechanics of the new system

(4) Use industry leaders to explain the benefits of the shift from cane tonnage to sugar content
(5) Broadcast the dummy results of tests to establish credibility
(6) Ensure that the new Quality Cane Pricing Formula is explained in publications
(7) Ensure that growers are convinced of the extra productivity potential.

STRATEGY 1.3 Improve Public Appreciation of Sugar Issues and Industry

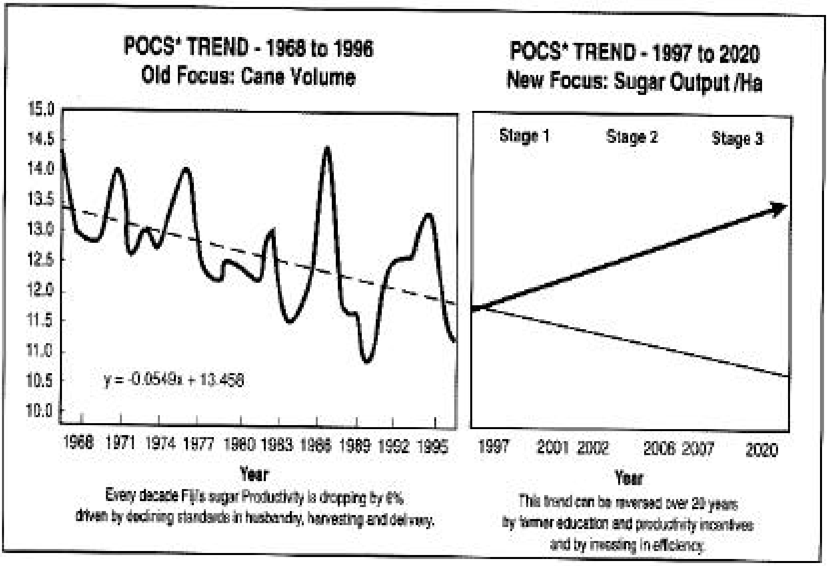
(2) Position the Sugar Industry as the quiet achiever, the backbone of Fiji
(3) Set up a system of regular pro-active press releases, minimum weekly
(4) Improve timely positive responses to negative press stories
(5) Systematically inform the public of the achievements of the industry, and the progress towards restructuring goals, including the use of sub-committee key agenda items
(6) Nominate employees of the month and sent their pictures to the press
(7) Attract high profile spokespersons who effectively reach audiences
(8) Set up a home page on the internet for students and journalists and include substantive materials
(9) Create a dedicated budget to public relations and grower education
(10) Sponsor USP/Academic studies that highlight the Industry change benefits
(10) Nominate projects, farmers, sector achievements for publicity

STRATEGY 1.4 Improve the Industry Relationship with Target Markets

(1) Encourage Government for an embassy in Geneva to effectively participate in WTO
(2) Create an international Internet policy support network of academics
(3) Focus industry through SCOF resources to improve EU relationship
(4) FSM create and distribute a video about Fiji's sugar industry
(5) Document the case for EU support for continuing Lome support
(6) Create separate FSM posts for the Pacific and EU marketing
(7) Expand FSM market intelligence by placing personnel with brokerages
(8) Create a regular interface with the Fiji WTO unit
(9) Promote the strategic plan in Europe and other relevant markets
(10) Invite decision makers to Fiji shores for study trips

BENCHMARKS for Stage 1:

(1) Obtain EU guarantees of price/quota protection until 2020
(2) Achieve a favourable repositioning of public perception of the industry
(3) Achieve a high recall of Best Practice benefits amongst cane growers
(4) Achieve a high recall of Quality Cane Pay benefits amongst growers
(5) Achieve a significant increase in the sense of pride and purpose amongst those who work in the sugar industry



2. Invest in Best Practice Efficiencies

The dominant investment strategy of the sugar industry over the past 25 years had a focus on cane volumes. It has been a good strategy for Fiji's development, boosting export revenues significantly to help build the national infrastructure, and providing a decent livelihood for an additional 10,000 cane grower families.

But the strategy came at the cost of a steady drop in productivity of 6% per decade. The causes are manifold, such as changes in cane variety, a push of cultivation into hilly areas, stress on rail, and a significant drop in on-farm husbandry and harvest standards – like bad seed cane, late planting, early cutting and a disastrous increase in burning.

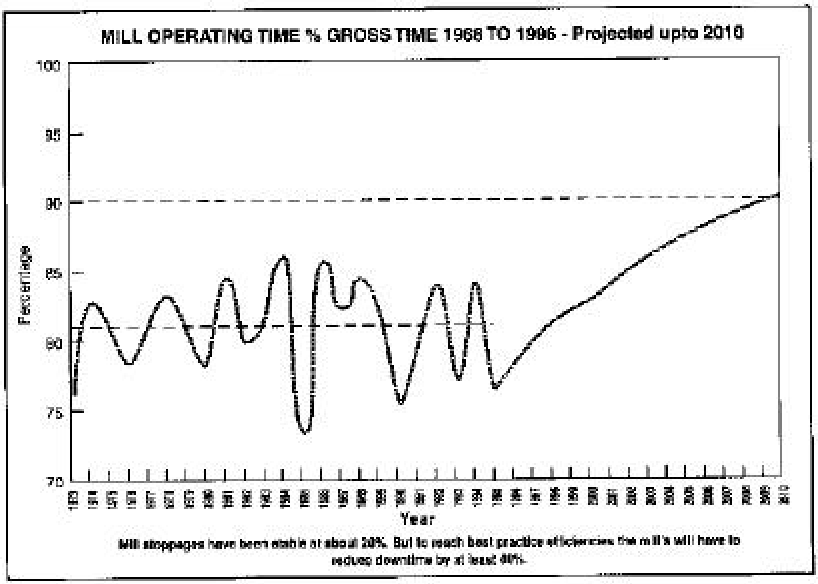
To meet the challenge of competing on the open world market, all stakeholders in the industry will have to shift their investment strategy to reach new standards in efficiency. Because of operational interconnections in the harvest, this strategy requires a tandem approach to be successful. There is no sense investing in mill efficiency, if rail transport and harvesting gangs can't keep up with the pace.

The Sugar Industry is capital investment intensive. In addition to millions spent on repairs each year, the FSC will invest over $8M p.a. over the next 50 years just to replace capital equipment. But to lay the foundation for a Quality Cane Program, mills and railway require an accelerated investment of $80M between 1998 to 2002 – to bring productivity back to TCTS 8.4 in five years. This investment package is an essential first step to drive the stage 1 reforms, and to lift efficiency capacity.

Mill Efficiency: Raising Standards from Historical to Best Practice Levels

Contrary to popular belief, mill breakdowns have not increased significantly since the Fiji Government bought the mills from the CSR. Experts, such as Landell Mills, also confirm that the four sugar mills are efficient by international standards, with good sugar quality and historical levels of sugar recovery mainly affected by rising impurities from burnt cane. (See "Action Plan")

But the historical standards of mill efficiency, and the related level of mechanical breakdowns, will be insufficient in future to compete on a world market, nor acceptable to growers. The world has moved on, and the expectations of people have moved with it. Mill breakdowns



Mill stoppages have been stable at about 20%. But to reach best practice efficiencies the mill's will have to reduce downtime by at least 40%.

may not have changed much since 1975 but the patience of growers has.

To reach a new Best Practice Standard of efficiency, the mills should be able to reduce stoppages by 40%, boost efficiency by shortening the crushing season to 26 weeks and, with industry investment, move sugar recovery to 90% or more.

By trying out a new system of productivity pay incentives, mill employees are now set to link pay rises to their capacity to improve efficiency, aiming to reduce downtime by focussing on reducing operator errors and increasing repair quality.

But there will always be mill stoppages due to cleaning, rain and machine failure, and the mills need extra efficiency and capacity. To increase mill capacity to crush 4M tonnes within a 26 week season will require an estimated $85M, of which $30M is expected to come from a reduction of stoppages due to productivity pay, $15M from FSC earnings from the reforms, and $40M is required from outside sources over the next five years.

In addition, to finance investments in equipment that improves sugar recovery, but which do not have a viable pay-back period for FSC from its 28% share, growers stand to benefit from special industry development investments in mills.

The Pay-Back Period: The Return on Investment in Extra Sugar Produced

In the past CSR made 262,000 tonnes sugar from 2M tonnes cane (TCTS=7.6). With accelerated investments, promotion of Quality Cane Pay and Best Practice the industry aims to reach equivalent efficiencies for 4M tonnes between 2007 and 2010. A sound investment, creating an extra 107,000T sugar, or $35M p.a.

The average POCS for 1995 and 1996 dropped slightly below trend expectation to 11.4 with Mill Efficiency Coefficient (COW) affected by the exceptional high volumes of burnt cane down to 95. Four million tonnes of cane produced therefore 426,000 tonnes of sugar (TCTS=9.4).

Should no agreement to finance the Agenda of Reform be forthcoming, the decline in sugar content and recovery would continue at 0.6% p.a. and by 2007 the industry would expect a POCS of 11.2% and a Mill Efficiency (COW) of 94. The trend predicts therefore that 10 years from now the TCTS would be 9.6, and that 4MT of cane only produces 415,000 tonnes of sugar. A recipe for disaster!

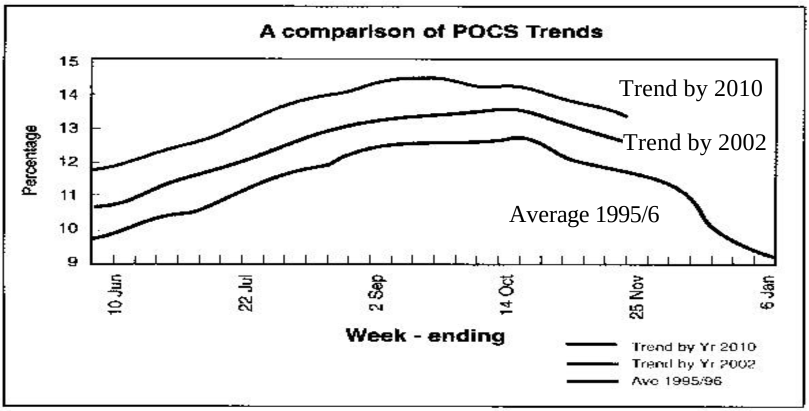
But the Stage 1 investment will see the POCS rise to 12.5, based on a shorter crushing season, lower cane delay and a reduction in burnt cane. The COW is expected to rise to 97, producing 477,000 tonnes of sugar from 4MT (TCTS=8.4).

This is 50,000 tonnes more than the trend expectations in 2001 (TCTS 9.35).

Stage 2 will see the POCS trend rise to 13.4 through better cane quality, while the COW is expected to rise to 99, creating 107,000 tonnes of extra sugar over the trend expectation (TCTS=7.7). During Stage 3 this will further improve through Quality Cane Pay incentives, new cane varieties and Best Practice programmes to 545,000T from 4MT.

The POCS Graphs show this progression of productivity from 1996 to the 2007 to 2010 period. Even if no preferential market could be found for all this extra sugar (a very unlikely scenario), and the 107,000T has to be sold at world market prices, the return on investment is still $35M per year after 10 years.

(A full breakdown of trend performance and National Objectives can be provided through the SCOF Industry Development Committees).



Rail Transport: Benefits from Strengthening the Weakest Link in the Chain

The cane rail transport system is also in need of extra investments worth $40M over 5 years to double the effective travel speed. This investment in upgrading is in addition to over $12M p.a. now spent on maintenance and operations cost. Following restructuring, the rail system requires user-pay charges to be viable: there is very little return on investment that the FSC can get from improving rail.

But an analysis shows the return on the investment by growers is very substantial indeed. The industry investment in rail will return over $33 million dollars per year to growers by 2007, of which $8.8M comes from savings on lorry transport by increasing rail volumes, and $25M of extra 107,000T sugar made by then. Specific strategies for rail reform are provided in Chapter 4: 'User-Friendly, User-Pay Rail Services'.

The user-pay charge structure has yet to be calculated from a proposed 73/27 split of rail costs with FSC. 73% of rail budget in the year 2000, is estimated to amount to $7.5M to carry 2.5 million tonnes of cane, costing an average of $3 per tonne ($1.50 to $4.00 depending on the zone). This charge will drop by 50% with:

(1) the increase in tonnage to 3 MT.

(2) A drop in operating cost through the $40m investment.

(3) further cost savings through user-pay and productivity incentives.

All combined, the average user-pay charge will move down to $2.00 ($1.00 to $3.00 depending on zone), and returns growers an extra $6.75T in stage 2 to $9.45T in stage 3.

Sharing Benefits: Dollar for Dollar Tax Relief to Meet Industry Investment

One of the most difficult issues to resolve in this strategic plan, has been to locate appropriate sources of funding for the new rail and mill efficiency standards. The FSC can not fund such special projects from short term finance, and to take long term loans without a change in the Sharing Formula is impossible.

Since the mills are owned by the Government, it is proposed that Government pays for the upgrade by re-investing the sugar export tax in mills for five years. Since the railway is a benefit to rail growers, and the return on investment is overwhelmingly in their benefit, user-pay charges are proposed for rail growers.

The Sugar Export tax has been a long standing vehicle, like FSC dividends, for the Fiji Community to get its share of the European subsidies to build the roads, schools and hospitals. But industry restructuring requires a strategic investment by Government to protect its taxation base – it will cost the Fiji Government a minimum $50M p.a. if the industry was allowed to shrink.

Mechanical loading will require amalgamated harvesting gangs to invest $60,000 per machine. It will be necessary to provide 100% finance through the Grower's Fund for these purchases, to ensure timely implementation. The repayment of these machines is calculated at $1 per tonne for seven years.

The Payback to Growers on Rail User-Pay Benefits, 1998-2020 ($m)

	Grower Cost User Pay	Grower Chare of $40m Rail Upgrade	Savings on Lorry to Rail Conversion	Grower Chare of Revenues in Extra Sugar	Total Benefit	Extra Income for all growers per tonne
1998		6	1	2.5	-2.5	-0.6
1999		6	2	5	1	0.25
2000		6	3	7.5	4.5	1.125
2001	8	6	4	10	0	0
2002	7.8	6	5	12.5	3.7	0.93
2003	7.6		6	15	13.4	3.35
2004	7.4		7	17.5	17.1	4.28
2005	7.2		8	20	20.8	5.2
2006	7		8.8	22.5	24.3	6.075
2007	6.8		8.8	25	27	6.75
2008	6.6		8.8	26	28.2	7.05
2009	6.2		8.8	27	29.4	7.35
2010	6		8.8	28	30.6	7.65
2011	6		8.8	29	31.8	7.95
2012	6		8.8	30	32.8	8.2
2013	6		8.8	31	33.8	8.45
2014	6		8.8	32	34.8	8.7
2015	6		8.8	33	35.8	8.95
2016	6		8.8	34	36.8	9.2
2017	6		8.8	35	37.8	9.45
2018	6		8.8	35	37.8	9.45
2019	6		8.8	35	37.8	9.45
2020	6		8.8	35	27.8	9.45

Cane roads must have an infusion of $2M p.a. and need industry co-ordination.

The Sugar Cane Research Centre needs an extra $4M p.a. to function from stage 2. It is proposed that from 2002 50% of the sugar export tax is assigned for cane research and extension services, to provide secure funding for this key function.

Implementation

SCOF has set up a sub-committee on Industry Investment and Mill Efficiency, which will advise on the cost/benefits of strategic investments by government, growers and AID Donors in the restructuring of the industry.

Government would make a wise and strategic investment, by diverting the Sugar Export tax to reduce mill breakdowns and season length and boost Mill Efficiency to Best Practice Standards over the next decade. Failure of Government to take a leading role, will result in the shrinkage of the sugar industry, and great loss to the Fiji economy.

Vanua Levu development opportunities are on the agenda of all SCOF industry restructuring committees for special treatment. It is proposed from 2002 to invest 50% of the sugar export tax into Northern Resettlement Funding, and Research.

Rail cane growers should take responsibility for the use of the railway, and pay for 73% of rail transport costs on a user-pay basis, with FSC contributing 23%.

Industry Development Directive #2

'Major change in sugar industry efficiencies take decades, failure to invest now will soon make Fiji uncompetitive'

The Fiji Sugar Industry contributes hundreds of millions of dollars in direct and indirect taxes to the Government each year. To ensure that the industry prepares itself adequately for new World Trade rules, the Government should now invest, to improve growers incomes, prepare for the quality cane program, and lift the efficiency of sugar mills towards Best Practice standards.

But Mill investment by Government without a match rail investment by Growers would not be advisable as the improvement of the one depends on the efficiency of the other. The benefits to growers is also very substantial.

Industry Development Directive # 3

"Sharing the cost of rail transport is not only equitable, it is a sound investment, for growers returning to them up to $11tonne".

The combined $80M investment in mill and rail efficiency will recover an extra 50,000 tonnes per year in stage 1, an extra 107,000 tonnes in stage 2, and lay the groundwork for an increase in efficiency gains over 20 years of 130,000 tonnes of sugar from L/MT.

Rail Growers will therefore benefit from the user payments they are asked to contribute towards, by progressively receiving up to $11 per tonne more.

STRATEGY 2.1 Government to invest $40M before 2002 towards a 26 Week Milling Season

(1) Seek re-investment of the sugar export tax into the mills for five years, to ensure that a new standard of mill efficiency is reached before the quality cane program is introduced.
(2) Ensure success of investments by introducing productivity payments.
(3) Ensure that rail investment takes place simultaneously be able to keep deliveries up to the higher mill capacity.
(4) Ensure that the introduction of mechanical loading takes place simultaneously, to avoid more labour shortages by season reduction.

STRATEGY 2.2 Create an Industry Development Fund for Key Investments

(1) Seek the investment of sugar export tax into industry development.
(2) Seek approval for special investments from industry sugar revenues in capital equipment which favourably boosts mill sugar recovery, but which do not allow for sufficient return on investment for the FSC to entertain on the current sharing formula. These investments could help make the pay-back period attractive, by allowing for a 50/50 split on the extra sugar created by that investment for the pay-back period.
(3) Create a policy for Industry Development Fund projects.

STRATEGY 2.3 Industry to invest $40M into Rail Track and Equipment Upgrade

(1) Seek industry funds to upgrade effective rail speed from 7km to 14km per hour, matching dollar for dollar the Government investment into mills.
(2) Educate growers on the return on the investment from user-pay contributions, and to levy a user-pay charge per zone as from 1999/2000 to rail growers only.
(3) If rejected, ask Government to double Sugar Export taxes to allocate to mill and rail investment.
(4) If rejected, seek AID funding, or start winding down rail service.
(5) See rail restructuring recommendations regarding on-going funding of rail transport through a user-pay for on-time services.

STRATEGY 2.4 Facilities Mechanisation and Farm Development Loans

(1) Complete a feasibility study for a farm bank, inclusive of client needs.
(2) Adjust Sugar Growers Fund functions to match study results.
(3) Actively assist gang purchase of mechanical loaders/harvesters with management advisory packages and 100% loans where required

STRATEGY 2.5 Encourage Development Opportunities in Vanua Levu

(1) Commission a survey of Vanua Levu development priorities.
(2) Actively assist mechanical loading projects in Seaqaqa to overcome labour shortages. Initially through ROC.
(3) Commission a feasibility study of rail transport extension.

(4) Create an attractive land resettlement program for tenant farmers whose lease expire, and Invest 50% of sugar export tax towards special benefits for the program.

STRATEGY 2.6 Improve management and funding for cane access roads

(1) Seek a $ 2M p.a. allocation of Government expenditure for cane roads.
(2) Provide an independent cost/benefit analysis through USP of the total Government revenues flowing from cane production from cane roads.
(3) Build a new model for district road expenditure allocation management.
(4) Build and maintain in the SCOF Database, a listing of all cane roads, their volume capacity and comments on their status.

BENCHMARKS for Stage 1

(1) Complete 80% of Mill and Rail Restructuring objectives by 2002.
(2) Introduce 80 Mechanical Loaders by 2001.
(3) Tripple cane access road expenditure.
(4) Introduce 10 Mechanical Loaders in Seaqaqa.
(5) Complete a Vanua Levu long term development strategy by 1999

3. Update the Method of Quality Control

Better communication will provide the vehicle to teach Best Practice efficiencies. Additional investment will provide the technical capacity to achieve Best Practice goals. But what is the gist of `Best Practice' messages to cane cutter and farmer, to loco crew, field staff, researcher, mill employee and management?

The answer lies in continuously improving the value of the end-product by systematic quality control. Fiji sells sugar, not cane. In 1968 the Fiji Sugar Industry needed less than 7.5 tonnes of cane to make a tonne of sugar. Now it requires well over 9 tonnes of cane. That loss of productivity deprives the industry of 100,000 tonnes of sugar per year - $6 per tonne for cane growers.

How is this sugar 'lost'? It is lost because most growers still believe they get paid for cane weight, instead of the sugar content. So there is a major lack of quality control in the field. Growers often do not actively maximise their sugar content. Cane for many is simply a way of life, instead of a competitive business.

A new sector based approach to quality control is required to lift performance. It is a sad fact that many growers, facing declining returns, are blaming the sugar mills for being 'inefficient' – while it never occurs to them that this sugar (POCS) was mainly lost on their farm, by a decline in the art and discipline of planting, growing and harvesting cane. (See 'Incentives to Encourage Excellence').

In the mills the cost of production can be reduced by improved quality control.

Variety	P.O.C.S. %			
	1st P*		2nd P*	
	June*	June	Sept	Nov
Aiwa	12.1	3.7	15.8	18.0
Beqa	12.8	4.6	14.7	16.7
Ragnar	11.6	2.3	15.1	18.2
Mali	9.6	2	13.4	15.9

* Cane age was 15 months in June for 1st planting, the age of 2nd planting was 8, 11 and 13 months in June, September and November respectively.

To adjust to stagnant or declining prices in Europe, mills will have to learn to cope with shrinking budgets. A war on waste at station level could be won by improving the quality and inspection of repairs, and by a team focus on the reduction of stoppages, and recovery of extra sugar from bagasse, mill mud, waste water and molasses.

Implementation

The Fiji Sugar Corporation is implementing work station meetings to help focus on Occupation Health & Safety reform of work practices, productivity goals, and better teamwork. These new team meetings are designed to improve worker/management relations to nurture a bottom-up approach to waste reduction.

Work reform may be further improved by an employee relations committee in mills, while station performance will be weekly reviewed by supervisors and the new Planning and Development Department.

The establishment of a Land Utilisation Board has been proposed as a co-operative project between SCOF, NLTB, Lands and Town Planning Department.

The introduction of improved quality control during the harvest is monitored by a new SCOF Sub-Committee on Harvesting and Delivery, and performance data will be mapped by the SCOF Research and Planning unit for sector analysis.

Quality control of cane variety, seed cane, planting time, fertilisation, weeding, and general husbandry skills such as planting techniques to maximise production lies now with FSC Field Department and the Extension Service. This approach requires further development as part of a new independent Sugar Cane Research Centre.

The role and responsibility of the Sugar Cane Growers Council in improved quality control has yet to be developed. In the future the five "Best Practice" sector farmers identified by Extension could assist FSC and for mill area councillors.

INDUSTRY DEVELOPMENT DIRECTIVE # 4

"The systematic improvement of sugar industry efficiencies starts at total quality control at the places of wastage"

To achieve the national goal of 7.7 tonnes of cane to produce 1 tonne of sugar by 2007-2010, all steps in the planting, husbandry, harvesting, transport and milling process will have to be systematically controlled for performance quality. The decline in sugar content of cane between planting and milling, especially during harvesting and delivery, is the core of inefficiency. Each sector has its own sugar per hectare potential, depending on factors such as soil type.

To achieve performance benchmarks, each sector should have set sugar production targets. Analysis of the causes of sugar loss should be communicated regularly to growers and industry organisations to plan further improvement.

The new World Trade environment of the 21st century requires systematic control of all aspects of land-use, husbandry, harvesting, transport and million: "Levelling the playing field" comes down to elimination of those practices that waste sugar.

INDUSTRY DEVELOPMENT DIRECTIVE # 5

'To make best use of increasingly scarce land resources, performance standards have to be set on cane leases'

The sugar industry has access to over 90,000 hectares of land, of which 75,000 is under cane. 65% of this land is under Native Lease. It is vital that most of this land remains available for cane production, to secure supply of cane for the mills. For the land-owner it is also important that the income potential of these cane leases is realised, so as to guarantee a reasonable rent return from the property.

Cane farming costs can be reduced by up to 20% and income can be raised by over 20%. A better return on leases would certainly reduce NLTB/land-owner pressure on sitting tenants. Thus land-owner, tenant, miller, and industry share a desire to promote Best Practice and boost production capacity of the land.

The sugar industry will benefit from the establishment of a Land Utilisation Board to zone land for the purpose of cane production, and monitor lease performance, so as to ensure that minimum standards of husbandry and production are maintained. This would overcome increasingly scarce land being under-utilised.

STRATEGY 3.1 A Land Utilisation Board to integrate Stakeholder Interests

(1) Start a Land Utilisation Board (NLTB, Lands, Town Planning & SCOF)
(2) Create Best Practice clauses defining the management of cane leases, including crop rotation to improve the soil
(3) Create a policy for the review of leases that break minimum standards
(4) Ensure with town planning that cane transport has unhindered corridor access to mills
(5) Map the productivity of all cane farm types for various analyses
(6) Measure, and notify all cane farmers how to maximise their income
(7) Share information with other stakeholders through a GIS database
(8) Start industry planning systems to monitor and quality control land use
(9) Create a notification, appeal and disputes procedure
(10) Ensure that land taken out of production is replaced, to assure supply

STRATEGY 3.2 Promote Sector Targets for Crop Quality and Farm Viability

(1) Initiate a joint GIS mapping project with NLTB, Lands Department, Town & Country Planning
(2) Initiate a SCRC research of historical farm output, soil data, etc., and a document and site map an optimum variety strategy for each sector
(3) Ensure that adequate, quality seed cane is available to all farmers
(4) Calculate and map existing versus ideal performance outputs
(5) Initiate sector based POCS measurements during Quality Cane Tests
(6) Create a sector based strategy to reduce costs by model farming
(7) Promote & reward growers/sectors with highest/best cane production
(8) Set progressive sector based targets for sugar output per hectare
(9) Pay Extension Service 'Best Practice' farmers to help educate sector
(10) Use satellite information for computer analysis when available

STRATEGY 3.3 Set new Quality Control Rules in Harvesting Management

(1) SCOF & Growers Council to implement a gang management strategy
(2) SCOF & Growers Council to develop gang quality control planning
(3) Council and SCOF to actively pursue a policy of gang amalgamation
(4) Improve harvesting communication systems between FSC and gangs
(5) Ensure that the field officer rejects unacceptable cane
(6) Design a gang training program,

and rank gang performance by type

(7) Develop and propose an environmental law that prohibits burning cane

(8) Develop appropriate merit advantages/awards to quality gangs

(9) Design alternatives to tractor trailer delivery

(10) Calculate and map progressive results of each and every sector's performance, and communicate these results to the local community of growers as a feedback on self control, and a measure for Industry Development Planning Analysis.

STRATEGY 3.4 Focus on Teamwork at the Station Level in Mills

(1) Nurture regular station team meetings under the guidance of Planning and Development Department

(2) Encourage greater worker participation in OH&S and workplace reform

(3) Weekly inform employees of the goals, progress made, benefits

(4) Tailor all training programs to engender team spirit

(5) Involve unions more systematically in addressing workplace conflict and reform

(6) Set up an employee relations committee to help conciliate at mill level

(7) Improve effective partnership linkage with unions on corporate goals

(8) Recognise good team performance in improving efficiencies

(9) Systematically list all station activities that require quality control

(10) Ensure that all Best Practice ideas are valued and formally logged

BENCHMARKS for Stage 1

(1) Reduce the number of cases coming to the tribunal by 50%

(2) Reduce the number of preventable breakdowns by 30% over trend

(3) Reduce burnt cane by 50%

(4) Reduce (stale) cane delivery time delays by 50%

(5) Complete an integrated GIS cane farm viability/productivity system

(6) Devise remedial programmes for growers with less than 50T cane output

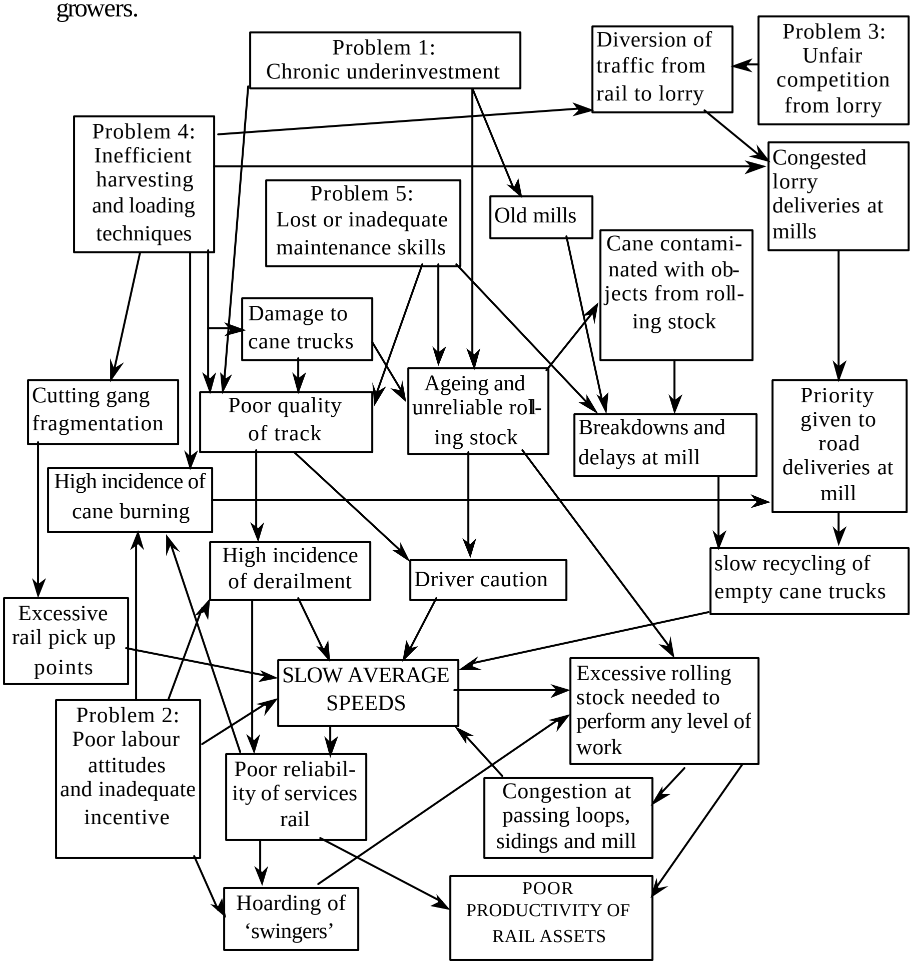
(7) Devise remedial programs for growers with less than 30T/Ha output

4 User-Friendly, User-Pay Rail Services

The cane rail system has served the Fiji economy with distinction. Billions of dollars have rolled over its tracks this century to build the nation's infrastructure. But times are changing. In a new world, where the continuous improvement of efficiency margins is a gospel, the old railway is in need of a complete overhaul.

Restructuring rail operations to make it financially viable is the key requirement to achieve the extra productivity that industry needs to be globally competitive. Over-regulation, gang splitting, tractor-trailer grower damages to track and truck, hoarding, brain drain and skills loss, lack of income, slow work practices, poor quality track and old locomotives – all contribute to high costs and slow operations.

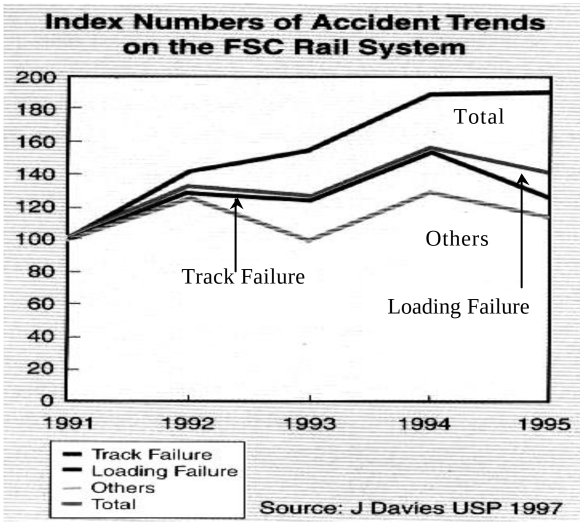
The free railway system stems from the colonial days, when the CSR had the Sharing Formula to their advantage. Discipline in those days was very strong – growers obeyed field officers, loco-drivers endured deductions for rail accidents. But things have changed since CSR departed. Now growers get most of the sugar revenues, and the government owned FSC lacks the funds to continue to provide an endless free service. Discipline has also declined amongst growers.



There is lack of respect for FSC property. Damage to trucks and rail is substantial. Hundreds of trucks are hoarded as 'swingers' causing shortages.

The rail system also suffers from bureaucracy, skills loss and lack of pride.

Motivation to excel is low. Rail workers can earn over-time pay for go slow work practices and breakdowns, instead of incentives to go on-time, trouble free journeys. The effective speed of rail transport has slowed to 7km per hour, down from a design speed of over 18 km per hour.



The main causes of the deterioration of the rail system are reviewed as an appendix to this strategic plan, in a special study by Dr John Davies of the University of the South Pacific. The study confirms that without change the rail system will crumble, and that the responsibility for this must be shared amongst farmers, workers, FSC and Government.

Other major contributing costs to the expense of running rail service is the age of locomotives, causing high repair bills and frequent breakdowns. It is for this reasons that FSC needs to purchase new locomotives, even though Dr Davies and the McWhinney report show that less locomotives are required.

To create a more effective rail transport service rail employees will need to link their pay rises with their ability to improve performance, to ensure that new investments will result in better services. FSC rail is over-manned and work practices are poor.

But without growers involvement it is impossible to revitalise the rail system. Truck wheels soiled in fields and bad loading help cause an average of 6000 trucks derailments per year. Tractor/trailer abuse of rail track contributes significantly to a doubling of track damage related accidents over the past five years. Thus growers are also a major cause of delays and haulage volume drop!

In addition, gang splitting has further doubled driver stop time from 20% to 40% - slowing the effective speed substantially. Gang disputes have increasingly lead to fragmentation of gangs. This results in an increase of truck delivery and pick-up places, thus slowing travel speed by an estimated 25% - at a cost of millions of dollars to FSC, government, and by default, the tax payer.

Hence rail gang work practices may cause 50% of truck delivery and derailment stoppages – a substantial part of the expenditure blowout. Rail growers should therefore rightfully be asked to take responsibility for this, lest the rail transport system becomes a blank cheque for rail gang and harvest inefficiencies.

The Master Award obliges FSC management to undertake certain tasks – such as servicing rail gangs. But it has no provisions to account for the changes in conditions that underlie the agreement – such as servicing smaller gangs, or the big shift from horse-line to tractor trailer gangs. The resulting costs have to be absorbed by FSC, at a time that the market requires prudence and cost cutting.

Dr. Davies' review shows that the Master Award disempowers FSC management because it is a binding agreement that assumes that all other conditions remain equal. They don't! The regulations are in process of strangling the very services they are supposed to control, so the award needs to be reviewed.

The rail system used to carry over 2.6MT of cane in the early eighties. Now it is down to 2.1MT – 25% less. It is interesting that the decline in rail volumes goes hand in hand with the delays caused by gang splitting and tractor trailer gangs. This trend clearly contributes to the loss of millions each year by gangs standing idle, which contributes to early cutting and stale cane, and growers missing their truck quota, and converting to lorry at a cost of up to $8.8M per year.

Even so, the cane rail system is still a great asset to Fiji. It does manage to transport over 2 million tonnes of cane – 600,000 tonnes more than the CSR ever did! Without rail the industry will shrink at great expense to rail growers and to the community – and every effort should be made to make it efficient.

Over the past 5 years the Corporation has invested over $10M in capital works, and spent $50M in repairs on civil works, machinery and wages for 650 people.

FSC has started the process of re-organisation under its new 1997-2001 Corporate Plan, but it will take an industry approach with union help and growers funds to make it viable. To rescue the rail system, costs must be shared 73/27. A user-pay charge will improve grower care of rail equipment, drive costs down, and increase capacity to three million tones per year. A vision splendid indeed!

In Australia some mills still do pay for rail transport, but they also get a much greater share of the sugar revenues, and their rail systems are rather smaller. Still, the notion of user-pay charges will take rail farmers some getting used to.

But the benefits are abundant indeed. A separate railway division, supported by user-pay charges according to the Sharing Formula, estimated at a total of $6M per year show good return on investment by saving rail/lorry growers $8.8M per year in lorry costs, plus $25M per year to the community of growers as an essential part of the Reform Agenda.

Industry Development: Directive # 6

"Without changing fundamental status quo interests the rail transport systems will crumble to irrelevance"

The rail system has to be made reliable before the new Quality Cane program is fully implemented. It must give an effective service to rail growers.

To achieve this, FSC Rail Transport Services needs to be re-organised as an independent profit centre. Work practices and labour attitudes have to change substantially. In-field transport operations have to be improved. Accelerated investment of up to $40M is required to upgrade rail over 5 years. The investment, coupled with productivity reforms will be able to cut operating cost by one third, while improving effective turnaround speed, and raising the volume carries by rail to over 3MT, saving rail/lorry growers to $8.8M per year.

But with stagnant prices in the EU market, and out of equity, operations costs must be shared with the user to ensure the long time health of the system.

Implementation

The Fiji Sugar Corporation is in the process of implementing a re-organisation of the rail transport function, bringing traffic, civil and transport engineering into a new Transport Department, with a mission to reduce cost and improve productivity indicators.

To facilitate industry rail transport strategies, a Rail Restructuring SubCommittee has been set up under the Auspices of the Sugar Commission of Fiji. The Action Plan spans 5 years, and is attached as an appendix to this strategic plan.

Rail transport should have access to Geographical Positioning System and improved trucks.

STRATEGY 4.1 Restructure Rail Transport to a User Friendly Rail Service

1) Bring the traffic, civil and transport engineering functions together into a Transport Department, accountable for achieving corporate goals
2) Create an independent budget, measuring and control system for all transport expenditure and brief employees on progressive performance.
3) Identify appropriate performance indicators, in order to measure and communicate these to all employees. (These would include data on fuel use per locomotive, travelling speed and breakdowns per employee).
4) Install electronic tags along the track, on trucks and use GPS on locomotives for effective control of truck movements and schedules, and a reduction of the considerable amount of paperwork at each delivery and pick-up point.
5) Move to computer based scheduling.
6) Introduce productivity incentives to employees, rewarding individuals who create additional wealth for the industry.
7) Upgrade rail track, trucks and locos with a $40M industry investment.
8) Initiate research into the discontinuation of the tractor-trailer operations and develop new technology that avoids trucks going into the field.
9) Implement relevant recommendations of the reports by Landell Mills, McWhinney and Dr. John Davies.
10) Introduce a zone based user-pay charge, for on-time services that collects a tonnage charge depending on the distance from the mill, based on overall rail costs being shared according to the industry Sharing Formula.

STRATEGY 4.2 Explore expanded Use and Ownership of Fiji Rail Services.

1) Study a separate rail company, as monopoly supplier of rail transport.
2) Invite Cane Growers to take shares in this company
3) Open up rail transport services to other customers.
4) Move strategic assets into a headquarters, separate from the FSC.
5) Use profits to invest in expansion of track, facilities and dividend.
6) Consider the merit of shifting the 23% contribution to rail by FSC to become industry funded. At maximum this may consist of 1% of sugar revenues, obtained by

adjusting the FSC share in sugar arevenue by 1%. To reduce the Sharing Formula by more than 1% means to shift FSC's chronic lack of investment from rail to mills, with serous consequences for mill efficiency.

BENCHMARKS for Stage 1:

1) To increase the effective cane transport system average travelling speed, including stops, from 7km to 14km per hour.
2) To reduce the operating budget by 30%, and increase volume by 30%.
3) To provide Growers with a satisfactory and effective transport service that delivers empties and picks up full trucks on the scheduled time.
4) To reduce sugar losses over trend, due to stale cane by 50,000T.
5) Reduce locomotive stops at pick-up points by 80%
6) Create a fleet of new cane trucks for mechanical loading gangs.
7) Phase in Introduction of user-pay charges by the year 2000.

5. Incentives to Encourage Excellence

To achieve a world competitive Best Practice industry, Fiji's sugar cane growers and mill workers have to excel, to strive and train, and to love the art of sugar cane farming and milling like the Fiji Sevens Melrose Cup winners love their game of rugby. Only by nurturing excellence can the sugar industry lift the quality of its product.

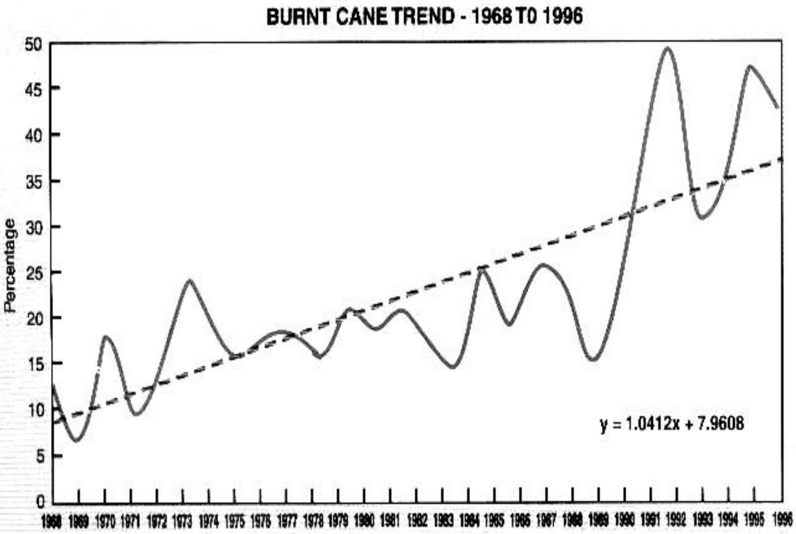
The challenge to the industry is to avoid elimination under WTO rules. This is a long battle that can only be won by systematically rewarding performance and shedding waste! There has been a gradual decline of cane quality as it is received at the mills. The sugar content is dropping; the cane has more impurities and is staler.

This is costing the grower, the miller, the industry and the nation dearly $35M per year at world market prices, much more if sold at preferential markets, this represents a loss of 16% of sugar in the field, a subsequent 4% extra loss in molasses.

The historical graph below shows the rise of burnt cane. Since 1968, sugar loss due to burnt cane was over $10M in 1996, compounded by millions of dollars in extra chemicals to process burnt cane, and a slowing of mill throughput of 20% or more, adding almost a month to the crushing season.

The losses are also due to declining standards of seed cane in the practice and timing of harvesting and delivery, notably late planting and early cutting, exacerbated by delayed transport. The rest of the sugar losses are mainly due to declining standards in farm management: inappropriate varieties, harvesting of immature cane, lack of fertiliser or weeding, lack of drainage, etc.

The argument that poor soils are substantially responsible for the decline in sugar content (POCS) is not really correct. The Sugar Cane Research Centre, and the ROC Technical Mission from Taiwan, easily produce POCS 14.5 to 15.5 on poor soils, much higher than the POCS 13.8 that Industry Reform aims to reach by 2020!



The trend in Burnt cane must be reversed to improve sugar recovery.

The notion that mill inefficiency causes the loss of sugar is simply uninformed. Other than the extra 4% sugar loss to molasses due to burnt cane, mill efficiency has not changed much since 1973 when FSC took over from CSR. POCS measurement is taken when cane comes in the mill, so the decline is in the field. The view that mill stoppages are responsible is also simplistic. Certainly mill stoppages are a cause for harvesting problems, but graphical analysis shows that the level of mill breakdowns in the 1990’s was similar to the 1970’s – (see graph given earlier) – hence stoppages didn’t change in 25 years, while burning and early cutting clearly has!

Thus a first conclusion one can draw is that the mindset of people has changed. What was obediently tolerated in colonial 1968 is no longer accepted in 1997. The minds of men have changed, while the mill standards have remained stable, demonstrating that yesteryears motivations are outdated, and need replacement.

The time has come to address the problem at its roots. It is not that people are sliding because they lack a good dose of Colonial discipline – it is that industry still use payment systems that stem from those days. Industry requires a more equitable yardstick and to reward the excellence of individual performance.

The cane farmer who follows best practices will easily grow 30% more sugar per tonne than the fellow who does not. Yet under the current rules of payment per tonne of cane, no matter what the quality or value, both growers receive the same price. This is a powerful disincentive to excel that can only be overcome by Quality Cane Payments – getting paid for the sugar content, not for cane weight.

There are also hidden disincentives that fuel the steady growth in burnt cane. Cane cutters can work faster with burnt cane, thus earning more than cutting green cane – and growers can " jump the queue" by unscheduled burning. Clearly the industry needs green cane incentives that are more attractive to harvesters.

In the mills an almost identical problem has been quietly undermining the motivation and performance of mill employees. No matter how dedicated one is, the pay packet will be the same as the careless worker, who detracts from the efficiency of the mill, who is wasteful, or who collects over-time by go-slow work practices.

As a result of such disincentives work practices in the mills slow unsustainably, and add to the cost burden of sugar production without improving standards. Yet wages rose by 43% since 1989 without any linkage to work output at all.

With stagnation in sugar revenues FSC has to operate with shrinking budgets. It is all good and well to share generous COLA increases when sugar revenues are strong, but now that prices are declining the workforce has to accept that wage rises are not always automatic, lest the workers kill the company that feeds them.

For the sugar mills to achieve optimum sugar recovery at minimum downtime, the employees need to be focused on achieving Best Practice station goals. The primary tasks of management in this process is to encourage station progress in each station and personally visit the teams, so that they benefit from expert advice.

To achieve these goals also requires regular station level 'team' meetings, workplace reform, additional investment in training, but most of all productivity incentive payments – so as to encourage a better standard of repair, a reduction in operator error, a reduction in absenteeism, and a focus on cost control.

The industry is under some threat and requires improved union/management co-operation. The adoption of productivity linked pay rises is a fundamental building block of a healthy industry, and the implementation of a productivity pay system goes hand in hand with workplace reforms that unions have long sought.

The Quality of Work, and Quality Cane Incentive Payments are the mechanism to foster excellence in the workplace. The introduction of Quality Cane is set to start at the end of stage 1, in 2001 or 2002, after testing is completed.

The introduction of Quality of Work pay has started in 1997 on a trial basis. The FSC Board has approved the introduction of Productivity Payments. A Joint Declaration by 3 FSC unions and management is attached as an appendix to the Industry Development Action Plan 1997 – 2000, available through the Sugar Commission of Fiji.

Implementation

The Quality Cane Payment System is facilitated by the Sugar Commission of Fiji Sub-Committee on Quality Cane, which co-ordinates grower and miller interests, oversees the trials, and develops the technical and accounting infrastructure.

The Fiji Sugar Corporation, in co-operation with the sugar unions, is in process of setting an implementation program for the 'Quality of Work' productivity pay system (PPS).

Gang amalgamations, primary dispute resolution and mechanisation have set goals, to be achieved by the Sugar Cane Growers Council in concert with SCOF.

Industry skills training objectives are yet to be adopted by various organisations.

The SCOF Sub-Committee on Harvesting and Delivery is examining a $1M Green Cane Bonus Incentive scheme for the gangs who reduce Burnt Cane the most.

Industry Development Directive # 7

"Fiji is undermining its sugar industry with pay systems, that have no relationship to the value of the end product"

The foremost difference between the Fiji sugar industry and its key competitors lies in the remarkable fact that the mills still can not pay for the sugar content of the cane it buys from growers. It has to pay for cane volume, even if the sugar content is well below the average.

As a result farming & harvesting standards have degraded by lack of a proper financial incentive to perform. This outdated colonial cane pay system is now costing the nation millions of dollars each year, causing mills and farms to suffer.

There are several of reasons why this is so. Sugar production is highly regulated, and it will take consent from the grower to change from the present system to the Quality Cane Payment system that measures the sugar content.

To reach the National Goal of 7.7 tonnes of Cane to make 1 tonne of sugar by 2007, it is essential to start measuring and rewarding excellence in grower and mill performance-introducing an enhanced sharing formula by 2001 A.D., that pays farmers for sugar content, and sets a performance incentive for FSC.

Industry Development Directive # 8

"*Productivity payments are the highway to mill efficiency, good pay packets, and strong union/management relations*"

To raise the historical standard of mill efficiency and reduce stoppages will take more than accelerated investment. It will also be essential to start measuring and rewarding the level of excellence in work by mill employees and their work station teams, in order to reduce operator error.

This is achieved by introducing a system of productivity incentives to reduce mill downtime, increase sugar recovery, increase effective rail travelling speed improve Cane tonnage hauled for rail growers, more effective repairs, and cost saving ideas. Productivity payments recycle waste into real wealth.

The wealth created by mill employees through extra diligence, not only keeps the mills health and gives them job security in years to come, but will also boost their incomes significantly, and improve the viability of the community of growers.

STRATEGY 5.1 Reward for Best Practice through Quality Cane Payments.

1) Develop the fundamental Quality Cane Pay infrastructure by 2000.
2) Test and trial the core sampling method and locations in 1998 & 1999.
3) Invest to raise the historical standard of mill efficiency to higher levels.
4) Ensure the timely set-up of a Cane Quality Payment Board.
5) Complete a modern media campaign to introduce the benefits and workings of the Quality cane program as a Best Practice.
6) Develop a sector based strategy, that promotes localised techniques.
7) Utilise the Best Practice Farmers identified by the Extension program.
8) Ensure that the strategy is a joint approach by the FSC & SCGC.
9) Calculate the financial benefits of the program to the sector/grower.
10) Use real people, and multilingual slogans to promote excellence.

STRATEGY 5.2 Dismantle Hidden Incentive Causing Stale & Burnt Cane.

1) Create a major incentive scheme for gangs that cut most green cane.
2) Make an exhaustive list of all reasons for early cutting and burning and survey a panel of experts to allocate the weight of each reason.
3) Commission an academic research of burning by harvesting gangs.
4) Examine what causes can be regulated, and which ones enquire the introduction of new incentive programs.
5) Promote legislation outlawing burning for environmental reasons.
6) Examine and adopt new procedures for a new FSC Field policy.
7) Consider using a popular media personality to downgrade burning as an earth negative, economically destructive and outdated practice.
8) Ensure that the police takes the prosecution of burning seriously.
9) Track the improvement of early cutting and burning on maps, showing the best and worst sectors, and distribute these to industry leaders.
10) Produce a statistical analysis of all gangs/all farmers (and all sectors), that logs the percentage of burnt cane and cane delay for each year – and communicate the results to constituents.

STRATEY 5.3 Phase in a Quality of Work Productivity Pay System in Mills.

1) Enter a trial period of one year to test a productivity points system.
2) Open up lines of communication with unions to fine-tune the system.
3) Ensure in-depth briefing of all

unions, and mill employees on station level.

4) Initiate an in-house magazine to facilitate team spirit and details of PPS.
5) Set up a mill employee relations committee to improve participation.
6) Measure station based targets, and communicate the progress made.
7) Ensure that employees trust a new method of logging efficiency ideas.
8) Ensure focused team training programs are offered to each station.
9) Ensure logged, station meetings under the OH&S legislation.
10) Ensure that no undue stress is placed on station workers.

STRATEGIC 5.4 Unlock the Economy of Scale of 10,000T to 20,000 Gangs

(1) Encourage a mechanical loading strategy to cover 50% of crop in 8 years
(2) Develop local management systems for gang amalgamations, with active strategies by the SCGC, by expert advice and by gang survey
(3) Facilitate the mechanical loading goals by direct talks to target gangs
(4) Explore the option of discounting large gangs for rail truck stops
(5) Create a policy, strategy and bonus for gang amalgamation in hilly areas
(6) Create real incentives and promote gangs that use mechanical loading
(7) Set target areas for large mechanical gangs, and call meetings of all relevant gangs with key reps from SCOF, SCGC, FSC and Extension
(8) Widely expose the costs of small gangs, e.g. slowing down rail by 25%
(9) Start National Sugar Efficiency Awards: 15,000t low burnt cane gang
(10) Include the benefits of large gangs in the Best Practice campaign

STRATEGY 5.5 Reverse the Brain Drain with Training & Salary Incentives

(1) Ensure and communicate career development paths for all employees
(2) Reverse the loss of essential skills wage slide in industry by offering attractive packages, including a performance incentive bonus
(3) Upgrade training programs, and offer extra training opportunities as reward for excellence in performance
(4) Engage highly skilled employees after retirement as trainers
(5) Ensure Industry Development Committee members are systematically exposed to relevant training programs, including local seminars, and overseas sugar industry conferences, to build professional skill levels

(6) Identify each year the best performers, and reward with specialist training seminars and industry conferences
(7) Attract trained Fiji citizens back from overseas countries
(8) List all industry training information with SCOF for distribution to parties
(9) Improve links with University of the South Pacific, Fiji Institute of Technology and other providers of education
(10) Focus station training on TQM, QCC or other team techniques

BENCHMARKS FOR STAGE 1

(1) Creation of 100 gangs between 10,000T and 20,000T by 2002
(2) Achieve a marked improvement in station motivation and team spirit
(3) Half the amount of disputes coming out of mills of FSC head office
(4) Achieve productivity pay rises that exceed the COLA expectations
(5) Reduce burnt cane by 50% by 2000
(6) Reduce average stale cane by 50% by 2000
(7) Achieve wide grower endorsement of Quality Cane Pay by 1999
(8) Achieve an increase of average POCS to 12.5, TCTS 8.4 by 2002
(9) Complete measurements of detailed industry and annual improvements levels and professional knowledge
(10) Be ready to introduce Quality Cane Payments by 2001.

6 Phase in Appropriate Automation

The World Trade Organisation's challenge to the Fiji Sugar Industry is to become more productive. This challenge presents an outstanding opportunity to the divers and multiracial aspirations into one shared development philosophy. The need for increased efficiency allows for a common platform of change.

The colonial past and the structure of land holding have created the illusion of a polarization of interest tenant farmer, landowner and miller. It is mainly illusory because mutual dependency far outweighs the difference of opinion, and while the future visions are diverse, change in the sugar industry takes time.

The introduction of mechanical loading offers a promising step towards a unified development philosophy. Automation may have only limited applications, and the community of cane growers does not change habits easily, but mechanical loaders will reduce the productions costs by 20%, while doubling cutter's incomes.

Mechanised loading is also a vital and necessary tool to accommodate the gradual amalgamation of small gangs into large 15,000 tonne harvesting units – a key to achieve efficiencies of scale. In addition, mechanization will also reduce labour shortage, an essential element of moving to a 26 week crushing season.

In addition to the introduction of more appropriate mechanization in the field, the progressive introduction of computer technology will act as an agent of change. Automation will therefore not only bring efficiency, but is set to slowly reform the current differences in vision of diverse groups into one new multi-cultural world.

To help level the playing field of world trade Fiji has access to two new tools: appropriate Best Practice automation, and value adding to the end product.

No satisfactory process of developing value-added by-products systematically is available yet, and a new strategy will have to be high on the agenda.

Implementation

After two years of trials, a mechanical loading implementation program is being facilitated under the auspices of the SCOF Sub Committee on Harvesting and Delivery. (See attached, as appendix to the Industry Development Action Plan.)

The Sugar Growers Council is best placed to play the key role in managing the introduction of the loaders, requiring gang amalgamation and project supervision, in co-operation with FSC on the mill level.

The Sugar Commission of Fiji is equipped with a new computer system which has Internet and electronic mail facilities, as part of this strategic planning effort. SCOF is set to develop a new database capable of networking with the NLTB/Lands/Town Planning Departments in setting up a Land Utilisation Board. This will give SCOF the technical capacity to create and maintain an industry information management system with a GIS mapping facility.

The Fiji Sugar Corporation is implementing ongoing mill automation under its current 5 year plan.

Industry Development Directive # 9

"To remain viable, the industry has to reduce cost by up to 20%. This can be done by automation of unproductive work"

The tenant lease system came to Fiji by 1920, after indenture was outlawed and the CSR was faced with a challenge: unproductive workers and low sugar prices.

Eight decades later Fiji is now facing a similar challenge. The old 4Ha lease is in danger of becoming inefficient because many middle class tenants no longer do their own harvesting, and have to rely on increasingly costly and scarce labour.

Appropriate automation sheds unproductive work practices, yet enhances pay packets in mill and farm. Up to half of cane farms can use current mechanical loading systems, which perform as well on the small 4Ha family farm as on large estates.

STRATEGY 6.1 Ensure Regional Mechanical Loading & Harvesting Goals

(1) Adopt an industry mechanical loading strategy for the cane flats for each mill area
(2) Actively organize, train and amalgamate gangs in target areas.
(3) Finance purchases through the Growers Fund
(4) Retain mechanization co-ordinators at SCOF, SCGC and ROC
(5) Ensure that mechanization projects conform to appropriate standards regarding gang size and management – to ensure the flow-on of financial benefits to growers.
(6) Facilitate industry mechanical harvesting projects at each mill, including the allocation of extra quota, to ensure success
(7) Initiate R&D on mechanical loading for hill areas
(8) Initiate R&D on improving tractor-trailer operations for rail farmers
(9) Monitor the impact of projects, and promote the results widely
(10) Construct new rail trucks for mechanical loading

STRATEGY 6.2 Centralise Industry Information Management

(1) Develop the SCOF Research and Planning unit to analyse and report monthly on grower, sector and mill performance
(2) Design and build an integrated data bank to monitor the environment, collect data on land use, and asses grower/sector productivity
(3) Integrate GIS mapping with all relevant sugar industry data banks, and promote the nature of industry programs through the Internet.
(4) Develop an international database network capacity through Internet
(5) Fast-track electronic data collection, logging and control systems
(6) Explore satellite monitoring of

the environment and regional land use

STRATEGY 6.3 Plan Long Term for Progressive Mill Automation

(1) Cost/benefit and invest in progressive automation
(2) Continue progressive computerization to reduce excess manning
(3) Computerise rail transport scheduling and GPS tracking of locos

STRATEGY 6.4 Develop Value-added and By-product Technology

(1) Add by-product options studies to SCOF, FSC, SCGC, SCRI agenda
(2) Build expertise in Internet searches/academic networks on by-products
(3) Ensure study placement of FSM staff with a molasses buyer
(4) Offer scholarships for USP Ph.D. students in sugar value adding work
(5) Review annual progress towards goals through SCOF for distribution
(6) Seek opportunities to invest in joint ventures overseas (e.g. China, India, Indonesia) to value-added on products

BENCHMARKS for Stage 1

(1) Achieve mechanical loading of one quarter of cane crop (1MT)
(2) Complete testing and introduction of two mechanical harvesters
(3) Complete testing of new rail bins to phase-out tractor trailers
(4) Complete integrated industry data bank, incl. GIS mapping project
(5) Reduce mill and mill ancillary labour costs by 15%, by appropriate mill automation, productivity efficiencies and outside service contracts
(6) Complete R&D on a mechanical loading system that is suitable to hills
(7) Complete the full development of one new by-product each 5 years
(8) Achieve one new sugar product mix or packaged product each year.

7 Transform Industry Organisations

Yesterday's truths tend to be the lies of tomorrow. The earth used to be flat, but now it is almost round. Change used to come mostly from the top down, now it is encouraged from the bottom up. To prosper amidst the quickly changing realities of the world sugar market, industry institutions require the courage of flexibility.

The Sugar Commission of Fiji is widening its scope to step into the grey areas of responsibility in industry reform, expanding the outflow of industry information, taking a leading role in promoting the real benefits of the Best Practice challenge, and guiding implementation of the strategic plan with a new committee structure.

To co-ordinate the increasing demand for policy research and development, SCOF needs to set up a policy unit, with strong links to Europe and academia.

The composition of the Commission has to be adjusted and be more inclusive. Long uncertainty over lease renewals have damaged the productivity of industry. It is high time that the NLTB, a key stakeholder in the industry, joins the Sugar Commission of Fiji, so that vital discussions take place over the table instead of across town.

The Fiji Sugar Corporation has started to implement major change programs to prepare for Best Practice, taking the lead in making the industry sustainable by introducing productivity pay-rises to boost efficiency and reduce operating cost.

In April 1997, FSC adopted a comprehensive five year plan for the period 1997 – 2001. The Corporation is pro-actively adjusting to the dictates of a leaner future, by improving its planning and industrial relations systems, restructuring corporate engineering and rail operations, and upgrading information and communication.

As a result of FSC re-organisation, and in co-operation with the Sugar Cane Growers Council, a renewed mission will also come to the Sugar Cane Research Center and Fiji Sugar Marketing. Both require additional resources to be able to provide additional services to the industry and value-add on the existing product.

Similarly, the Sugar Industry Tribunal is entering a new era in facilitating industrial conciliation and arbitration. Productivity in mill and field is high on the agenda. A thorough review of the socioeconomic impact of the Master Award is due. Social partnership is now intimately dependent on joint economic reforms.

This symbolic transformation of the industry is not just mental, but also physical.

The major Sugar Industry organisations will be changing their address. FSC, SCOF, and the SCGC have the intention to move from Suva to Lautoka by 2000. If sugar is grown in the field, surely it is best managed from where it can be seen!

The transformation of the Growers Council will require a separate inquiry. It is advisable to improve the method of election for councillors, moving from sector based 'seats' to mill area proportional representation, to reduce the ill effects to two party polarisation, and embrace the broader family of grower interest groups.

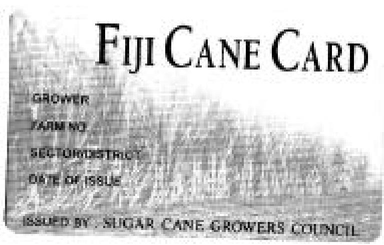
Councillors are elected as lobby for the very diverse interests of cane growers, ranging from rail farmers who enjoy free transport to lorry farmers who pay 20% of their income to transport, from tenant to freehold farmers, from middle class ‘paper’ farmers who hardly touch a stick of cane to poor subsistence farmers with high debts, from superbly skilled farmers to lazy farmers who hardly weed or fertilise, from large estates to 1HA hobby farms, from the political left to the right.

Sector based selection of one dominant group does shut out small farmer groups that could help broaden the representative reach of the Council. By means of proportional representation, a group with 10% of the growers vote in a Mill area would have a candidate, on the Council, and strengthen the level of discussion.

It has proven very difficult for elected councillors to be the agents of change in carrying the Best Practice message to the field in their sectors. For the Mill Area Committee to function properly, fortnightly meetings are preferable, and more permanent Council Staff should represent growers instead of politicians.

In today’s climate of tenant’s uncertainty about lease renewal, Council’s political focus also can hinder its capacity to promote the long term health of the industry, delaying key programs such as Quality Cane and Mechanical Harvesting. Nor is Council given the resources to address the escalating deterioration of planting and harvesting practices, leading to a steady decline in farm productivity.

The current political organization makes it difficult for Council to obtain growers consensus on funding essential change programs, even when these are clearly in the interest of the wider community of growers, such as superannuation deductions. This gap leaves a serious vacuum in industry development strategy.



But under the circumstances the Growers Council has succeeded in carving out an increasingly important role for itself, by providing various free legal products to growers through fine innovations like Cane Card, and by giving the great diversity of growers highly focused representative skills.

Implementation

The Sugar Commission of Fiji through this strategic plan, and the

Fiji Sugar Corporation through its 1997-2001 Five Year Plan, both have detailed blueprints as well as the management and technical infrastructure to effectively implement the change programs on schedule.

The new SCOF Advisory Committee on Sugar Cane Research is facilitating the relocation of the SCR Centre, the formation of an independent organization, and the location of appropriate sources of funding.

A draft plan for the re-structuring of Fiji Sugar Marketing is on the agenda of the new SCOF Advisory Committee on Industry Investment and Mill Efficiency.

The changes at the IRC Office and Tribunal may best be effected on the basis of a joint draft proposal by SCOF and the IR Commissioner to change the Act.

The Sugar Cane Growers Council receives a draft strategic plan in concert with this industry strategic plan, to help guide its development to meet future needs. The Council currently has the technical and organisational infrastructure to deliver basic grower services, but requires more independent sources of income to meet the challenges placed before it.

Industry Development Directive # 10

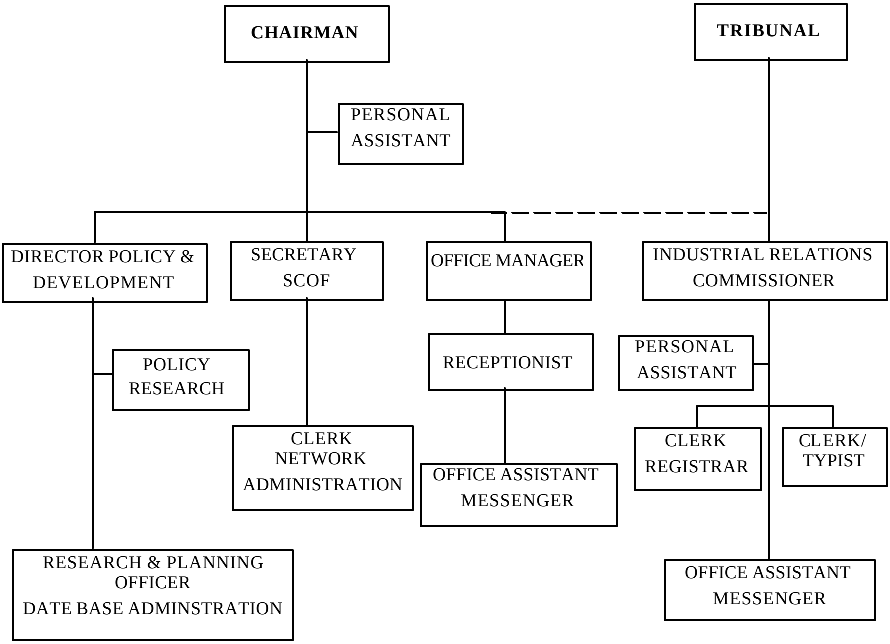
"To adopt a best practice philosophy, industry institutions first must reshape their sense of purpose to fit the times"

Today's sugar industry institutions are the result of a gradual fragmentation of the CSR – once a successful, integrated "empire" that was held together by the simple principles and dictates of laissez-faire capitalism.

In absence of the singular will and colonial paternalism of yesteryear, a complex regulatory framework has been erected to shield the diversity of interest groups from each other. A house divided cannot stand, so walls were built to prop it up.

This framework of regulation is in danger of slowly strangling the industry itself, for changes come slow, usually "after the fact", and do not give the players the chance to manage pro-actively to meet ever rapidly changing market conditions.

The time has come therefore to transform the industry institutions, not by building better Berlin Walls around them, but by interaction, by networking as a voluntary collective of mutually dependent decision making nodes and profit centers.



STRATEGY 7.1 An Expanded Role for the Sugar Commission of Fiji

(1) Ensure the timely implementation of the Industry Strategic Plan, and sponsor industry reform by co-ordinating all Committee meetings
(2) Sponsor Masters and Ph.D. research for vital, sugar related studies
(3) Build an industry data base, including GIS mapping capacity
(4) Create a quarterly SCOF report for distribution to stakeholders and the media, listing key statistics, market trends, progress on reform programs, photographs, message by the Chairman, and news items
(5) Ensure the implementation of field mechanization and harvest reforms
(6) Budget for, and facilitate, a multi-media Best Practice campaign that promotes improved efficiency in all aspects of the industry, engenders a new sense of pride of belonging, reaches all stakeholders, and has the depth of professionalism to 'strike a cord' in the community
(7) Integrate the Office of the Industrial Relations Commissioner with the Sugar Commission of Fiji, and let the NLTB join the Board
(8) Widen top level liaison with key markets and stakeholders, and appoint a Director Policy and Development with broad international experience

(9) Move SCOF's main functions to Lautoka before the year 2000
(10) Review the role of the Mill Area Committee, to increase its regional relevance and organizational infrastructure; change the Act to localize the Chairman's position for each Mill, and empower it to improve the performance of sectors, in anticipation of Mill Area based pay systems

STRATEGY 7.2 New Directions at the Fiji Sugar Corporation

(1) Introduce productivity payments to save costs and improve efficiencies
(2) Re-organise the various transport functions under a new Department and set up this Transport Department as an independent profit centre
(3) Seek user-pay charges from rail growers to cover 73% of transport costs, and invest this to systematically reduce the cost per tonne to growers by boosting total tonnage hauled from 2M to 3M tonnes
(4) Set up a publicity unit to better inform mill employees and community
(5) Divest control of the Sugar Research Centre and Extension Service and storage, shipping and related responsibilities of FSM.
(6) Invest $8M p.a. in automation and replacement of capital equipment
(7) Move head office from Suva to Lautoka before 2000, and move the Corporate Engineering function into new facilities as a profit centre
(8) Expand capacity to mill 4MT in a 26 weeks crushing season, and over the longer term, in the expansion of mill capacity to 4.6MT by means of (a) over 40% reduction in stoppages through productivity incentives (b) seek additional investment of $40M over 5 years. (c) re-investment of savings on rail expenditure (see # (3) into mill
(9) Expand the planning and development function to help set and monitor station level targets, assess innovation, and facilitate tactical planning.
(10) Ensure improved worker participation, set up an Employee Relations Committee, streamline the grievance procedures, award innovation.

STRATEGY 7.3 Empower New Sugar Cane Research & Extension Services

(1) Set up a permanent industry advisory committee on cane research that networks research data and monitors progress of sector targets, and facilities change over from FSC's Sugar Cane Research Centre
(2) Locate a suitable site, and apply for AID funding for new facilities
(3) Draft an organizational plan and budget to meet the mission and goals
(4) Draft legislation, and appoint a Sugar Cane Research Board
(5) Seek funding of $3m p.a. from industry from 1998 to 2002, and after that request, ongoing industry funding of 50% of the Sugar Export Tax
(6) Widely promote research findings amongst the community of growers
(7) Explore moving Extension Serv-

ices from FSC to the Sugar Cane Research Centre, and create incentives for 5 'Best Practice' growers per sector

(8) Develop the Seaqaqa research station and other cane trial plots as a revenue raising venture, designed to fund extra training and incentive packages for research personnel, in order to keep quality staff

(9) Link extension staff and organization to Mill Area Committee goals

(10) Integrate the ROC team objectives with strategic planning programs

STRATEGY 7.4 New Responsibilities for the Sugar Cane Growers Council

(1) Ensure rapid improvement of planning and implementation capacity, by appointing a Planning and Development Manager and support staff

(2) Design and Implement a staff development and training program

(3) Ensure a change in councilor election procedures, from a sector based 'winner - takes – all' representation to a Mill Area based proportional representation, that allows for effective representation of each sector/district

(4) Move Headquarters from Suva to Lautoka, and raise income from rent

(5) Continually promote extra income techniques to educate all growers

(6) Link computer systems from all districts, set up E-Mail facilities

(7) Pro-actively encourage amalgamations of gangs for mechanical loading to meet national goals, and broadcast the financial benefits

(8) Extend the technical knowledge base of the Council by means of local and overseas workshops for directors and staff, and adding sector based analysis capacity, development goals and personnel resources

(9) Extend the range and use of Grower Services, by setting goals to double grower's use of legal products, and revenue raising products through Cane Card, over the counter, and user-pay products

(10) Investigate, develop and implement the introduction of incentive based bonus schemes for staff and councilors to meet progressive improvements in performance goals

STRATEGY 7.5 Reorganising Post-Manufacture at Fiji Sugar Marketing

(1) Facilitate FSM restructuring through the SCOF Industry Investment and Mill Efficiency Advisory Committee

(2) FSM to lease shipping facilities from FSC

(3) Create a new organization structure, that includes shipping and storage staff from FSC, and increased marketing staff

(4) Secure industry funding for the new company, adding the cost of shipping to FSM's current share of the industry revenues

(5) Set up an appropriate corporate framework and accounting system

(6) Ensure staff is placed with sugar brokers and molasses agents to bring home improved understanding of the market opportunities

(7) Improve product mix, from packaged end products to new whole-

sale products, and explore the option of marketing compatible products

(8) Have specialist positions for Europe and the Pacific rim Markets

(9) Improve sales analysis by attracting statistical and analytical skills

(10) Communicate market and marketing news to the national press, the FSC in-house magazine, the SCOF quarterly and Growers bi-monthly

STRATEGY 7.6 Moving the Goal Posts in Industrial Relations

(1) Nurture the introduction of industrial reform in the industry through the SCOF Sub-Committee on Industrial relations and working parties

(2) Encourage good functioning of Mill employee relations committees, that focus on OH&S, improved grievance procedures and productivity.

(3) Prepare for a shift of the IR Commissioner's Office to SCOF

(4) Develop a greater understanding amongst stakeholders on the impact of market changes on the industry, and seek funding for committee study trips, seminars and the invitation of relevant guest speakers.

(5) Develop a policy of distinguishing mediation and arbitration issues that need in-depth accounting analysis from those which are not

(6) Review the impact and functioning of the Master Award of industry

(7) Study the impact of Cost of Living increases on the viability of industry and examine the socio-economic aspects of Productivity pay rises

(8) Integrate the Growers Registrations with the SCOF database to have a one-stop shop approach to inquiries and analysis

(9) Communicate regularly to Industry publications with advice and news

(10) Seek AID sponsors for candidates in the field of Industrial Relations who display leadership, to fund scholarship for overseas studies.

BEACHMARKS for Stage 1

(1) Relocation of Industry institution headquarters to Lautoka by 2000

(2) An independent, relocated Sugar Cane Research Centre by 1999

(3) A corporate restructuring of FSM finalized by 1998

(4) Achieve a doubling of grower awareness on income growth

(5) Reduce arbitration cases coming to the Sugar Tribunal by half

(6) The Growers Council achieves a reduction of the cane levy by 25%.

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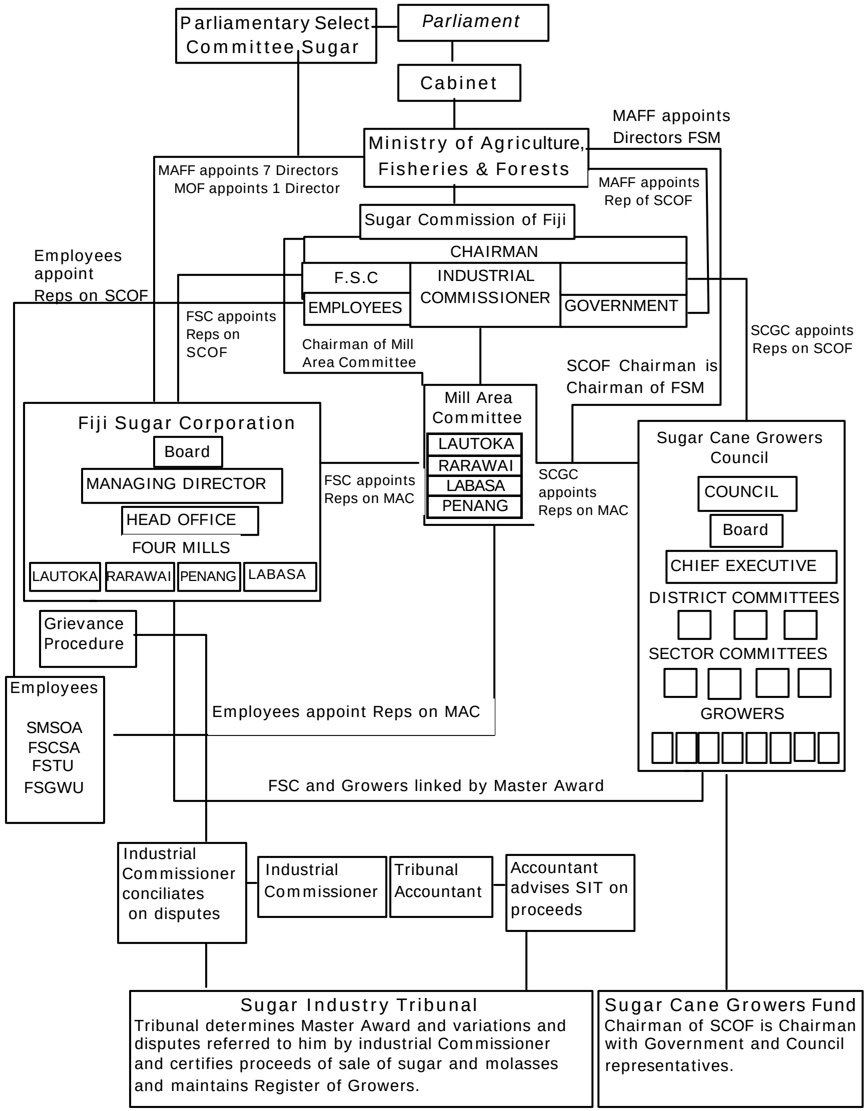
Sugar Industry Structure



- SMSOA - Sugar Milling Staff Officers Association
- FSCSA - Fiji Sugar Clerks and Supervisors Association
- FSTU - Fiji Sugar Tradesman Union.
- FSGWU - Fiji Sugar General Workers Union.