

MEDIA RELEASE

7 April 2017

Penang Mill Update

Senior FSC management held a meeting with staff and farmers in Penang on Friday 7 April 2017. Staff concerns were raised and discussed, with assurances requested from FSC that fair treatment and respect would be afforded to all. Detailed interaction with all affected staff members on an individual basis will commence shortly.

Meetings have also been held with all Union representatives engaged with FSC and cordial discussions have agreed on the foundations of close co-operation and open communication. Various unions enquired programs and projects will be investigated to improve staff well-being generally.

FSC has established an internal working group to deal with issues arising from the Penang Mill closure. This working group will deal with: Staff issues, cane deliveries, site security, equipment/asset protection, community issues including recreational facilities and legal matters.

PENANG MILL CLOSURE - THE FACTS



The following are the facts pertaining to the decision by the Board of FSC to close the Penang mill permanently:

- i) A structural audit of the factory by qualified structural engineering consultants has indicated necessary structural repairs and replacements within the 137 year-old factory (in order to meet the building codes of Fiji) estimated at a cost of between \$15 and \$20 million.

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- ii) Following the destruction caused by T.C. Winston, an engineering survey and inspection by an FSC technical/engineering team determined that in addition to structural repairs, a further \$25 to \$30 million would be required for mechanical, electrical and general repairs in order for the factory to resume operations.
- iii) The total cost of re-instating factory operations on the site was thus estimated at between \$40 and \$50 million.

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- iv) The cane supply feeding the Penang factory has declined since 2010 from 210,000 to 175,000 tons estimated for 2017. At this level sugar production would be less than 20,000 tones.

- v) Due to its sub-economic size the Penang Mill is unable to enjoy any economy of scale and thus has only recorded a marginal profit once in the same period, whilst cumulative losses have exceeded \$37 million.
- vi) It will be unlikely that a replacement factory of this size, which could cost in excess of \$100 million to construct, would ever prove economical, running in isolation.

THE WAY FORWARD

- Having assessed the facts and made its decision, the Board of FSC is focusing on the way forward for the sugar industry in Fiji. Its primary focus is on re-establishing and growing cane supply, including from the Rakiraki/Penang area, in order to make cane farming a viable activity for our farmers.
- This will be linked to cane crushing facilities in the right location of the appropriate size and scale to improve efficiencies and to raise national sugar production to above 400,000 tons per annum.
- In turn to re-shape the marketing of the increased sugar production to realise improved pricing for our sugar, thus enhancing revenue returns to both growers and FSC.
- FSC is of the view that a strong co-ordinate sugar industry working together for a common goal - driving a sustainable future for all stakeholders, is the appropriate way forward - without unnecessary diversion of attention and the circulation of incorrect/misleading information.
- FSC is fully engaged with the Sugar Cane Growers Council and farmers generally to encourage the utilisation of support facilities, primarily Government sponsored, to increase cane yields and lower unit cost of production, reduce the cost of harvesting and transport and to facilitate the use of modern technical support available to farmers.
- In particular the following interventions and facilities are being provided:
 - the cost-effective supply of fertilizer;
 - the provision of disease-free seed cane
 - the cane planting support scheme
 - funding from the Sugar Cane Growers Fund
 - the mechanical harvester financing scheme
 - FSC mechanical support services
 - EU funded projects to improve infrastructure (cane access roads/drainage) and support growth initiatives
 - review of the rail transport system to increase usage and reduce transport costs
- These, if used aggressively by all, will lead to increased cane production with cost reducing efficiencies an added benefit. FSC again encourages farmers to fully embrace these facilities.

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