1 Project Overview

1.1 Introduction

Union Sugar factory became Union St-Aubin factory when St-Aubin Sugar factory closed down. Hence the processing of the canes from the St-Aubin factory area was centralized on Union Sugar factory.


Since 2003, the merger of Riche-en-Eau, Mon-Trésor, Union St-Aubin and Savannah mills consolidated the rationalization of milling operations in the South of the Island to form a milling company, the "Société Usinière du Sud" (SUDS). On the 11 December 2008, SUDS transferred its assets to Compagnie Sucrière du Sud Ltée" and the latter on the 12 August 2009 changed its name into OMNICANE Milling Operations Limited.

Until 2010, Union St-Aubin (USA) had been processing cane from the factory areas of Bel-Ombre, St-Félix and Britannia in addition to its own, the total cane processed amounting to 381 000 tons per annum.

However since crop season 2009, Union St Aubin Sugar Mill no longer functions as a full sugar factory but processes the cane up to the syrup production stage; the syrup was then transported by road to OMNICANE La Baraque factory for further processing into first raw sugar and then to granulated refined sugar (GRS) in the refinery.

On the 14 October 2010, after a mid-term review of the Multi Annual Adaptation Strategy (MAAS) – Sugar Sector Action Plan 2006-2015, OMNICANE underlined to the Hon. Minister of Agro Industry and Food Security, the necessity to close down Union St Aubin factory in conformity with the recommendations of MAAS.

The closure of Union St-Aubin has been approved by Government of Mauritius on the 25 March 2011.

1.2 Project Justification

The sugar industry has been the backbone of the Mauritian economy for decades. Being a member of the ACP countries, Mauritius has for long benefited from a ready market and a guaranteed price for its sugar export on the EU market under the Sugar Protocol of the Lome Convention.

However, this preferential trade agreement is already in the process of being phased out by Year 2009. After an initial reduction of 5% in prices paid to ACP countries in 2006, the price of sugar is expected to drop by an additional 12 % in 2008 and a further reduction to reach 36% by 2009, thus resulting in substantial losses in foreign exchange earnings for the country.
In 1997, to improve the competitiveness of the Mauritian sugar milling sector, the Government of Mauritius introduced the legal and regulatory framework, namely the "Blueprint on the Centralization of Sugar Milling Operations in Mauritius". The Centralisation of sugar factories has the main objective of improving the competitiveness of the Mauritian sugar milling sector through *inter alia*:

- Reducing the number of mills from eleven to four;
- Increasing the milling capacity of two important mills FUEL and OMNICANE (formerly Savannah) to accommodate additional cane supplies

Centralisation of sugar mills is one of the key measures required to lower the costs of producing sugar in Mauritius.

In 2006, a comprehensive set of strategies regrouped under the Multi Annual Adaptation Strategy (MAAS)\(^1\) was thus prepared jointly between the Government of Mauritius and the stakeholders in the sugar sector with the objective to maintain the commercial viability and sustainability of the sugar sector. The plan that emerged from the MAAS comprised several measures including the transformation of the sugar industry into a sugar cane cluster.

OMNICANE (formerly Societe Usiniere du Sud (SUDS) Ltée ) has embarked in the reform of the sugar sector since 2005 by implementing a number of strategies geared towards maintaining the competitiveness and survival of the industry. The significant realisations include *inter alia*:

- The centralisation of milling activities of Rose Belle, Britannia, Riche En Eau and Mon Tresor Mon Desert sugar factories onto Savannah Sugar Factory in 2007,
- Reduction in workforce through blue print and Early retirement schemes (ERS)
- The setting up of a bagasse/coal cogeneration power plant (CTSAV) next to the Savannah Sugar factory:
  - To provide the electricity and steam to the bigger sugar factory and a higher capacity back end sugar refinery
  - To generate more electricity from bagasse, a renewable source of energy, for export to the national grid
- The installation and operation of a sugar refinery of capacity 600tonnes/d (operation: 300days per year) to produce granulated refined sugar starting 2009.

In the Multi Annual Adaptation Strategy Action plan proposed by Government to the European Union in April 2006, the proposal is to close down Union Saint Aubin mill - which is also handling St Félix canes – at the end of the 2007 crop season, and to send all its canes to Savannah, whose annual crushing capacity will be increased to 1.7 million tonnes canes annually (i.e. a new hourly crushing rate of 400/425TCH). This strategy was reviewed and adapted so that in 2008 until 2010, Union St Aubin continued part of its operation namely up to production of syrup. The syrup is then transported to Savannah for further processing into sugar.

Furthermore, La Baraque Sugar Factory has been recently renovated in line with the centralization of milling activities in the South including the closure of Union

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\(^1\) Ministry of Agro-Industry & Fisheries: Multi Annual Adaptation Strategy (April 2006)
St-Aubin. La Baraque Sugar Factory has thus been equipped for the processing of the extra 381,000 tons of cane from Union St Aubin, which will require increasing the crushing rate from 350TCH to 400TCH (22.5 hour of operation per day), which can be achieved without modification of the factory front end.

1.3 Legal and Institutional Framework

The closure of the USA sugar factory falls under the ambit of following legal, regulatory and institutional procedures.

1.3.1 Environmental Protection Act of 2002

Although not stated explicitly as an undertaking that requires a Preliminary Environment Report or an Environmental Impact Assessment licence, The Ministry of Environment and Sustainable Development as per letter dated 07 January 2011, informed the Mauritius Sugar Authority that the closure of Union St Aubin factory will require an EIA application from OMNICANE (Appendix A).

1.3.2 The Ministry of Agro Industry and Food Security

The Ministry of Agro Industry and Food Security is responsible for the policy concerning the modernization of sugar factories and centralization of the Sugar Industry in Mauritius. This policy is set out in a document entitled «Blueprint on the centralisation of sugar milling operations in Mauritius» dated May 2007. The Blueprint sets out the framework for future sugar mill closures, with special consideration to the package to be offered to employees and planters.

1.3.3 The Ministry of Energy and Public Utilities

The CEB, a parastatal body responsible for the production, purchase and supply of electricity, fall under the responsibility of this Ministry. Both St Aubin Sugar Factory and OMNICANE's bagasse/coal power station at La Baraque has a power purchase agreement with the CEB. Energy to process the additional cane and the extra renewable biomass accruing from it are of direct interest to the National Energy Policy.

1.3.4 The Ministry of Infrastructure, National Development Unit, Land Transport and Shipping.

The National Transport Authority, the Road Development Authority (RDA) and the Traffic Management & Road Safety Unit (TMRSU) have a priori been involved inter alia, in the review of the Road Infrastructure for the Cane Conveyance Routing from Union St-Aubin Sugar Mill to La Baraque.

1.3.5 The Mauritius Sugar Authority

The Mauritius Sugar Authority (MSA) is the statutory body responsible for the approval of the closure of Union Saint Aubin sugar mill and submits its recommendations to its parent Ministry.
Furthermore MSA ensures that provisions stipulated and agreed by Omnicane Milling Operations Ltd for the closure of USA factory and cane conveyance to La Baraque are adhered to.

1.3.6 The Cane Planters & Millers Arbitration Control Board

The sugar content samplings, the shares of scums, sugar and the remuneration of bagasse accruing to the planters and millers are issues that fall directly under the aegis of the Cane Planters & Millers Arbitration Control Board.