

Alcoa Minerals of Jamaica Inc.

Attached for the information of the House is a copy of the Agreement which has been made between the Government of Jamaica and Alcoa Minerals of Jamaica Inc. The Agreement fulfils the undertaking given by the Government, and which was referred to in Ministry Paper No. 18 of the 31st May, 1960, that the Government was prepared to sign a formal agreement with the company substantially in the same terms as those already signed with the existing bauxite producing companies. The agreement accordingly provides for the same rates of royalty and income tax as for the existing companies. For ease of reference these are set out below:

- (a) The assumed profits for purposes of Income Tax on each long dry ton of bauxite will be:
- (i) a fixed sum of \$1.925 (U.S.); and
 - (ii) a variable amount established initially at \$1.925 (U.S.) which will be adjusted upwards or downwards in direct proportion to the base price of aluminum pig of 99% average guaranteed minimum purity as quoted in New York by the "American Metal Market" for delivery in the United States by United States producers.
- (b) Royalty payable:-
- (i) 4/- per long dry ton if not more than 1 million long dry tons obtained in any calendar year;
 - (ii) 3/- per long dry ton on entire tonnage exported if more than 1 million but not more than 2 million long dry tons obtained in any calendar year;
 - (iii) where 2 million long dry tons are exceeded in any calendar year, 3/- per long dry ton for the first 2 million long dry tons and 2/- per long dry ton thereafter.

The first half of the abovementioned rates shall be fixed and shall not vary but the remaining half shall be adjusted upwards or downwards in direct proportion to the base price of aluminum pig of 99% average guaranteed minimum purity as quoted in New York by the "American Metal /Market"

bauxite operations or any assets used in bauxite operations or dividends on bauxite operations.

"Further Taxes" shall include all taxes, burdens, levies, excises and imposts on bauxite operations and all assets used in connection therewith in Jamaica or its territorial waters (including but not limited to any additional royalty under the Mining Law and any other royalty and any tax, burden or impost on severance, transportation, storage, handling, exportation, employment, sales shipping, capital and reserves).

It is understood that taxes dealt with elsewhere in this Agreement and normal license duties of general application, such as licenses on motor vehicles, and harbour and light dues of general application, and flat local service rates on land, and import duties of general application (but not any duty which would be a tax, burden or impost of the nature of any of those enumerated in the above definition of "further taxes") are excluded from this Clause.

5. Land Use : During the period of twenty five years immediately following the Production Date no obligation will be placed on ALCOA MINERALS which derogate from its right to hold and use the lands purchased or held under option by it for the purpose of providing bauxite reserves within the area of Special Mining Lease No. 10 or any other Mining Lease granted to ALCOA MINERALS. The Government of Jamaica undertakes that nothing done by it will affect the availability of those bauxite reserves to ALCOA MINERALS and the export thereof as and when desired by ALCOA MINERALS.

6. Land Tax : During the period of twenty five years immediately following the Production Date the Government of Jamaica agrees that for the purposes of land tax the valuation of lands containing minerals which belong to the Government of Jamaica by virtue of the Minerals (Vesting) Law or any other Law (present or future) shall exclude any /increases ...

increases in market value due to the presence of the said minerals except to the extent that the value is increased, until the minerals have been mined, by the owner's interest in royalties that might be payable if the minerals are exploited and to avoid disputes the value of the owner's interest in royalties shall be taken to be one-twentieth of the market value of the land leaving out of account the presence of any mineral. The Government of Jamaica will take steps to make such amendments to the Law as shall be necessary in the premises. ALCOA MINERALS and other recognised bauxite and alumina producers shall not be called upon to pay a higher rate of land tax than is paid by a number of other land owners of a class as nearly as may be similar to the recognised bauxite and alumina producers.

In this Clause "Land Tax" includes any tax, rate, assessment or impost present or future, general or parochial, on land, including but not limited to property tax and parochial rates (other than flat local service rates).

7. Special Mining Lease No. 10 The Government of Jamaica acknowledges that Special Mining Lease No. 10 presently held by ALCOA MINERALS, was granted under Special Condition 1 attached to that Lease, for an original term of twenty five years with a right of renewal for a further term subject to the terms and conditions prescribed in the Mining Law Cap. 253, and the Regulations made thereunder. The Government of Jamaica agrees with ALCOA MINERALS that the duration of such further term to which ALCOA MINERALS shall be entitled shall be for a like period of twenty five years to commence upon the expiration of such original term.

8. In the event of the Government of Jamaica making any agreements with any other person in respect of royalty, land tax, land use and/or any other terms and conditions relating to the mining of commercial bauxite or production of alumina

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therefrom in Jamaica, ALCOA MINERALS shall be entitled at its option to substitute the terms and conditions and/or provisions of such agreement for the terms, conditions and/or provisions of this Agreement.

In the event of the Government of Jamaica making any long term (five years or more) agreement with any other person in relation to income tax on commercial bauxite operations ALCOA MINERALS shall be entitled at its option to substitute such arrangement for those contained in this Agreement.

For the purposes of this Clause "commercial bauxite" shall mean bauxite which contains at least 47% alumina (by the standard difference method) and not more than 4% silica on a dry basis.

9. The Government of Jamaica agrees upon ALCOA MINERALS' request to enter into an agreement with ALCOA MINERALS with respect to a renewal or extension of this agreement or with respect to taxation, royalty or any other matters relating to bauxite operations in Jamaica no less favourable to ALCOA MINERALS than any agreement with respect to any such matters made by the Government of Jamaica with any other recognised bauxite producer in Jamaica.

10. Exchange Control : The Government of Jamaica will not require ALCOA MINERALS to remit to Jamaica the market value or the price of bauxite shipped from Jamaica or any part thereof.

11. The Government of Jamaica agrees that any or all of the undertakings herein with respect to ALCOA MINERALS and any or all undertakings under any and all other agreements between the Government of Jamaica and ALCOA MINERALS or between the Government of Jamaica and any other company, present or future, controlling, controlled by or under common control with ALCOA MINERALS shall extend to ALCOA MINERALS or any such other company as aforementioned as may from time to time be designated by ALUMINUM COMPANY OF AMERICA to carry on any part of the operations in Jamaica under or relating to Special Mining Lease

/No. ...

No. 10, or any other Mining Lease granted by the Government of Jamaica to ALCOA MINERALS or any such other Company.

SIGNED on behalf of the Government)
of Jamaica with the authority of the :
Governor in Council by the Honourable)
Norman Washington Manley, Q.C., M.C.,) (Sgd.) N.W. Manley
Premier, in the presence of:)

(Sgd.) G.A. Brown

SIGNED on behalf of ALCOA MINERALS)
OF JAMAICA INC. by GEORGE W. STREEPEY)
the President thereof and attested by : (Sgd.) Geo. W. Streepey
Alfred M. Hunt the Secretary in the) (Sgd.) Alfred M. Hunt
presence of :)

(Sgd.) Harry W. Fawcett

Market" for delivery in the United States by United States producers.

The sections of the agreement dealing with Royalty and Income Tax expire on the same date as for Reynolds and Kaiser, viz. 31st March, 1982. The remainder of the agreement remains in force for a period of 25 years from the 31st May, 1963. These remaining sections of the agreement relating to matters like land use, mining leases, are similar to those in the Kaiser and Reynolds agreement.

2. The company is being declared a recognised producer of bauxite under the Bauxite and Aluminum Industries Encouragement Law. This declaration coupled with the signing of the agreement complete the remaining legal formalities necessary for the construction and other work which must be undertaken to ensure that commercial mining commences by the 31st May, 1963.

3. The company has a mining lease over an area of 50.5 square miles in Northern Clarendon in the Mocho Mountains area. Since the company took over this mining lease from Caribex Ltd. on the 31st May, 1960, it has vigorously carried out all the preparatory work necessary for a successful mining operation. Some of the more important jobs done so far are as follows:-

(a) Land acquisition

The company's mining lease covers very difficult country and most of the land is owned by small settlers. In order to obtain sufficiently large areas of land consolidated into sections which can be economically mined and to provide access roads etc, the company has had to undertake an extensive land acquisition programme. The company has so far acquired 1002.8 acres at prices which vary according to the state of development. Whilst there were complaints from land owners at the beginning of the land acquisition programme, the arrangements for acquisition now appear to be working smoothly.

(b) Railway

The company plans to transport the bauxite from the mining area to a port at Rocky Point. The length of line will be 18.8 miles. To obtain the right of way the company has pur-

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chased from 85 land owners approximately 340 acres of land. Construction of the railway track will commence in September, 1962. The company intends to enter into an arrangement with the Jamaica Railway Corporation under which the Corporation will do the hauling of bauxite over the company's lines. This should provide substantial additional revenues to the the Corporation.

(c) Port

The company has had to construct a completely new port at Rocky Point. It has reclaimed more than 21 acres of land for road and railroad purposes and more than 20 acres of land on which to build the port facilities. The drying operation will also be carried out at the port site. The dredging and reclamation work have been a major undertaking involving the movement of 1,400,000 cubic yards of material. What was previously a swampy useless area of land has now been transformed into a new port area with deep water. This is a most important addition to the country's resources.

(d) Mining Programme

The company expect to enter commercial production by the 31st May, 1963 and should export a minimum of 500,000 tons of bauxite per annum. There is a possibility of this being increased to 1 million tons.

(e) Government Revenues

On a production of 500,000 tons the added revenues to the Government from the company's operations should approximate £400,000 per annum, increasing roughly proportionately as production increases.

(f) Employment

The company now employs 56 local persons on office and field work. During the construction period employment should reach between 300 and 400 persons. When mining and shipping operations commence employment is estimated at approximately 300.

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4. The company which is a wholly owned subsidiary of the Aluminum Company of America, the world's largest integrated bauxite - aluminium producer - has kept all its undertakings scrupulously and there is every indication that this operation will be a successful one and beneficial to Jamaica.

N.W. Manley
Premier and Minister of Development
27th February, 1962.

MD 13/48/01

JAMAICA S.S.

THIS AGREEMENT is made the 15 day of December one thousand nine hundred and sixty one BETWEEN THE GOVERNMENT OF JAMAICA of the ONE PART AND ALCOA MINERALS OF JAMAICA, INC. a Delaware, U.S.A. Corporation, having an office at 29 Barbican Road, Saint Andrew, Jamaica (hereinafter called "ALCOA MINERALS") of the OTHER PART :

NOW THIS INSTRUMENT WITNESSETH that it is mutually AGREED by and between the parties hereto as follows:-

1. Interpretation: This Agreement shall apply to and the words ALCOA MINERALS used herein shall, unless the context otherwise requires, include any other company, present or future, controlling, controlled by or under common control with ALCOA MINERALS and each of them.

The word "person" as used herein shall include firm, company and corporation.

The term "Production Date" as used herein shall mean the date on which ALCOA MINERALS makes its first shipment from Jamaica of bauxite mined in Jamaica for use in the commercial production of aluminum.

The term "Fixed Tax and Royalty Period" as used herein shall mean the period from Production Date up to and including the 31st day of March 1982.

2. Income Tax: In exercise of the powers conferred upon him by Law, the Governor in Council will direct that during the Fixed Tax and Royalty Period the rate of profit assessable on ALCOA MINERALS in Jamaica for Income Tax purposes (herein called "Profits") on each long dry ton of Jamaica bauxite disposed of by ALCOA MINERALS on or after the Production Date shall be deemed to be the sum of :

(a) a fixed amount of \$1.925, and

(b) a variable amount established initially at

\$1.925 which will be adjusted upwards or downwards in
/direct ...

direct proportion to the base price of aluminum pig of 99% average guaranteed minimum purity as quoted in New York by the "American Metal Market" for delivery in the United States by United States producers. The initial price of aluminum pig with respect to which the upward or downward adjustment shall be computed shall be the price published on 1st January 1957 (namely, 25¢ per 1 lb.) Any change in the price of aluminum pig shall apply from the date of publication of such price change to all bauxite disposed of on or after such date until the next date of variation. If at any time the "American Metal Market" referred to in this Clause and in Clause 3 hereof shall discontinue publication of aluminum pig prices, then such amendments will be made in the Income Tax Direction and the Mining Regulations dealing with royalty as may be necessary to substitute therefor such journal as shall in the opinion of the United States Bureau of Mines (or the successor of such department of the United States Government) be the leading trade journal in New York then publishing such prices.

EXAMPLE: If the price of 25¢ per 1 lb. becomes 30¢ the variable \$1.925 would become

$$\frac{\$1.925 \times 30}{25} - \$2.31$$

The Profits, being the total of the amounts specified in (a) and (b) above shall apply only so long as the aggregate of all taxes imposed by the Income Tax Law 1954 of Jamaica (as from time to time amended or re-enacted) and the aggregate of all other taxes payable by ALCOA MINERALS on or measured by income or profit from the disposition of bauxite (including but not limited to gross income taxes, net income taxes, sur-taxes, profit taxes, excess profit taxes, etc.) imposed in Jamaica

/and ...

and by the said Federation of British Caribbean Territories or any other federation, commonwealth, state or governmental body of which Jamaica may from time to time be a member or to the jurisdiction of which Jamaica may from time to time be subject (hereinafter referred to as "the Federation") does not exceed 45% of the Profits calculated in the above manner.

If the aggregate of such taxes is at any time or times computed to be an amount that exceeds 45% of the Profits, then the Profits shall be reduced to the extent necessary so that the aggregate of such taxes does not at any time exceed 45% of the Profits and all necessary directions to this and from time to time will be made by the Governor in Council.

The Profits shall be deemed to be and include all the income arising from the disposition of bauxite, including but not limited to income from the mining, drying, handling, selling, transporting, loading and shipping of bauxite, the operation of bauxite ships (where such ships are not owned or operated by a person resident in Jamaica), the ownership or occupation of the land on which the bauxite is situate and any other assets held for the purpose of or in connection with any of the foregoing, and profit or loss (including rents) resulting from any activities carried on in compliance with any order declaring ALCOA MINERALS to be a recognised bauxite producer from time to time in force.

It is the intent of the parties, and the Government of Jamaica agrees, that during the Fixed Tax and Royalty Period it will not directly or indirectly increase the income tax burden payable with respect to the disposition of bauxite above the limitation set forth in the preceding paragraphs of this Clause 2. Should the Government of Jamaica, or the Federation, or both, take any action which would have the effect of increasing the income tax burden indirectly, by the imposition of any other tax of the type referred to in the first paragraph

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of this Clause 2, including, but not limited to, such a tax on the operation of bauxite ships, or on the distribution or receipt of profits from the disposition of bauxite by way of dividends, interest payments, or otherwise, there shall be an appropriate reduction in the Profits under the method set forth in the first two paragraphs of this Clause 2, and the total of such direct and any such indirect tax on the disposition of bauxite shall not exceed the amount set forth in the second paragraph of this Clause 2.

The Profits are stated in terms of United States Currency and income tax shall be payable to the Government of Jamaica in United States Dollars.

3. Royalty : During the Fixed Tax and Royalty Period the Royalty payable by ALCOA MINERALS shall be as follows:-

(a) If the tonnage of bauxite in any calendar year does not exceed 1 million long dry tons, the royalty shall be 4/- per long dry ton.

(b) If the tonnage in any calendar year exceeds 1 million long dry tons but does not exceed 2 million long dry tons, the royalty for the entire tonnage exported shall be 3/- per long dry ton.

(c) If the tonnage in any calendar year exceeds 2 million long dry tons, the royalty for the first 2 million long dry tons shall be 3/- per long dry ton and for the tonnage in excess of 2 million shall be 2/- per long dry ton.

The rates of royalty abovementioned shall be subject to variation in the following manner . One half thereof shall be fixed and shall not vary; but the remaining half of the rates of royalty abovementioned shall be adjusted upwards or downwards in direct proportion to the base price of aluminum pig of 99% average guaranteed minimum purity as quoted in New York by the "American Metal Market" for delivery in the United States by United States producers. The base price of aluminum /pig ...

pig with respect to which the upward or downward adjustment shall be computed shall be the price published on the 1st March 1957 (namely, 25¢ per 1 lb.)

The abovementioned rates of royalty shall become effective on the Production Date and for the period from the Production Date to the 31st December next following the figures of 1 and 2 million long dry tons used above shall be reduced to reflect the proportion thereof that the number of months remaining of the calendar year in question bears to 12.

For purposes of applying the minimum royalty provisions of Regulation 49 of The Mining Regulations, the term of Special Mining Lease No. 10 shall be deemed to commence on 1st June 1960.

Payments on account of royalty shall be made monthly and in order to determine the rates applicable in each calendar month the tonnages specified in (a) (b) and (c) above shall be reduced to one-twelfth. At the end of each calendar year the exact royalty payable on the basis set out in the preceding paragraphs of this Clause will be computed, and in the event of any variations in the royalty rates resulting from variations in the price of aluminum pig the tonnage exported during the calendar year shall be pro rated according to the number of days in each calendar year to which each price applies. An adjustment will then be made between the amount as computed and the total of the monthly amounts which have been paid by ALCOA MINERALS and any sum underpaid by ALCOA MINERALS shall be paid to the Government or a refund shall be made in respect of any overpayment.

The royalty will be computed in Sterling.

4. Further taxes : During the period of twenty five years immediately following Production Date no further taxes will be imposed on bauxite, bauxite reserves or /bauxite