

ARIGUANABO COMPANY OF JAMAICA LIMITED

As this Honourable House will recall, on the 10th July, 1973, during the Production Debate, the Minister of Industry, Commerce and Tourism informed the House that Ariguanabo Textile factory in Spanish Town had been acquired by Government in March, 1973. The circumstances leading to the transfer of ownership from Coltejer of Colombia commenced in December, 1972 when the owners of Ariguanabo indicated to Government that due to certain internal problems in Colombia they wished to dispose of their interest in the Company. In this connection they wanted to give Government the option to own Ariguanabo. If the option were not exercised the factory would be closed and the assets sold overseas to liquidate the debts.

2. After a careful evaluation of the company's request it was decided <sup>that</sup> ~~the~~ Coltejer's offer should be accepted for the following reasons:-

- (1) in the situation of the high level of unemployment in Jamaica no Government could view with equanimity the prospect of making some 800 persons redundant and therefore unemployed.
- (2) the Government had to take care to prevent a dispersal of the pool of skilled labour which had been built up; The textile industry possessed a high level of skill and expertise, and the country could not afford for this pool of talent which had been trained and built up over the years to be allowed to drift abroad or into other industries;
- (3) the Government had to take into account the difficulties that would be created by, as a result of the closing down of the local mill, the market

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having to be opened to foreign textile imports and then having to be closed again by the reimposition of import restrictions, at a later stage, if a new mill was to be established.

3. The decision therefore was taken against the background of the overall importance of the textile industry to the Jamaican economy, and fits in with our regional protectionist policy. Ownership of Ariguanabo will provide us with one of the means with which to accelerate economic growth. As the House is aware, a textile mill is fundamental to a garment industry and Ariguanabo is to be the nucleus of an updated and expanded garment industry. It is Government's aim that Ariguanabo will be part of a complex of factories producing textile for local and overseas demands.

4. Consequent on the above, Ariguanabo has a new role to play in earning foreign exchange through exports and in conserving foreign exchange by replacing imports, as a result of the economic package announced by the Prime Minister. Accordingly, a sum of \$7 million has been included in the <sup>1973/74</sup> ~~1974/75~~ Supplementary Estimates to clear up the debts existing at the time of the take over from Coltejer.

5. The transfer of ownership was on the basis that no cash payment would be made to Coltejer other than in respect of debts owed by Ariguanabo. The Government accordingly acquired some 500 acres of land, buildings, machinery and equipment and inventories. At the same time the company's liabilities were taken over. The assets which had been revalued by the Commissioner of Valuations and an American firm, American Appraisals Ltd. were slightly in excess of the liabilities.

6. The Agreement between Coltejer and the Government of Jamaica provided that Coltejer would be relieved from all

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guarantees and commitments to the creditors of Ariguanabo in respect of the liabilities of the Company. In this connection Coltejer estimated that Ariguanabo's immediate requirements would be \$6 million and indicated that it would make arrangements for Ariguanabo to borrow some \$6 million to repay some of the creditors and to provide working capital.

As a result of a detailed examination it was ascertained that \$7 million would be required immediately as follows:-

	\$
Bank of North America	1,600,000
Adela	1,300,000
Coltejer	300,000
Workers Bank	3,100,000
Interest in arrear on the above	200,000
Miscellaneous including (excise and other duties)	<u>500,000</u>
	<u>7,000,000</u>

Financing requirements of the Company for its future operations are being extensively examined, to ensure that it is adequately geared for a viable operation.

7. As regards the performance of Ariguanabo in 1973, it is true to say that the promising picture which the figures showed in June, 1973 was eroded by substantial cost increases in raw materials and for a time the company subsidised the Jamaican consumer by selling below cost. This situation could not continue indefinitely and accordingly Ariguanabo's prices have been adjusted. The projections for 1974 and 1975 envisage a production of 15.4 million sq.yds and a profit of \$350,000 and 19.6 million sq.yds and a profit of \$700,000 respectively. The improved situation in 1975 is based on an expansion of the factory and an updating and reequipping of the machinery and equipment

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over a fourteen monthperiod.

8. The Government is satisfied that the decision to accept Coltejer's offer was correct and that Ariguanabo will not only be a viable concern but will assist the country in earning/conserving foreign exchange.

P. J. PATTERSON  
Minister of Industry, Commerce & Tourism  
20th March, 1974

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