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B.I.O.T. Working Papers

Paper No. 4: Relocation of Diego Garcia
plantation workers on Peros Banhos and Salomon

Following their decision to proceed with the project of a naval facility on Diego Garcia, the Americans have informed us that:

- (a) they will require the evacuation of the inhabitants from Diego Garcia
- (b) they have no immediate defence requirement for the atolls of Peros Banhos and Salomon in northern Chagos
- (c) they have no objection to the evacuation of Diego Garcia inhabitants to Peros Banhos and Salomon with the condition that this should not prejudice the ultimate use and even evacuation of these atolls for defence purposes.
- (d) they are not prepared to guarantee any specific long term lease for commercial development of Peros Banhos and Salomon or accept any liability for compensation in respect of termination of commercial activities in these two atolls if this should become necessary in view of (c).

2. The proposals to relocate the Ilois on Peros Banhos and Salomon involves consideration not only of the 31 families at present on Diego Garcia but also of the 84 or so Ilois families claimed to be living in Mauritius. Such relocation would raise not only the administrative aspects of the movement of some 115 families, but also the question of the future of the copra plantations in Chagos following the closure of the Diego Garcia plantations, the most productive and extensive in the archipelago. The question is whether Peros Banhos and Salomon can really 'go it alone' as a commercial proposition. Without some assurance of commercial viability of the copra industry in these areas and a reasonable guarantee for the future in terms of employment for the Ilois, relocation can only be regarded as an interim measure which would depend upon continuing H.M.G. financial support.

3. The three main atolls on which the plantations are situated are Diego Garcia (area 8,700 acres) Peros Banhos (3,000 acres) and Salomon (2,000 acres). They were formerly owned by the Chagos Agalega Company and were purchased by the Crown in April 1967 for £660,000. (Other islands in the Archipelago are Danger (area 250 acres), Eagle (300 acres), Egmont (638 acres) and Nelson (300 acres).

/Eagle

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Eagle and Egmont are covered with coconut palms and were formerly worked as coconut plantations but they were abandoned in the 1930's it is thought partly due to the low price of copra and partly due to transport difficulties. The islands are covered with a mass of self seeded coconut trees and extensive thinning and manuring would be required to bring them back into production. The old buildings have now collapsed and new plantation buildings and quarters for labour would be required if the islands were to be resettled. If properly developed these islands might produce 220 tons of copra a year.)

4. From April 1967 the three plantations on Diego Garcia, Peros Banhos and Salomon were run by the Chagos Agalega Co. on a leasehold basis at a rent calculated at 80 per cent of the net profit before taxation. However due to the uncertainty about the future of the islands it was not possible to give the company any guarantee of tenure longer than six months and as a result the company was unable to risk capital investment for middle and long term planning. In consequence they foresaw a period of decreasing returns and gave notice to terminate the lease at the end of 1967, but offered to continue to run the islands on behalf of the B.I.O.T. under a management agreement. Owing to the uncertainty of an American decision over the use of the Chagos islands for defence purposes the management agreement was not finalised and, since the relinquishment of the lease, Moulinie and Co. have managed the plantations on an ad hoc agreement by which they receive 8 per cent of the FOB value of the produce of the islands. This is an unsatisfactory and temporary arrangement which coupled with the uncertainty about the commercial future of the Archipelago has resulted in a considerable rundown of the plantations.

Possible Development of the Plantations

5. At our request Mr. Moulinie has prepared a development plan for Peros Banhos and Salomon. He has based his plan on a 5 year development period which would require a total capital investment of about £126,000 in the two atolls. At the end of this period it is expected that the plantations could show a profit to B.I.O.T. in the sixth year of £8,175. The estimates are based on an average price for copra of £75 per ton E.O.B. Mahe.

6. Mr. Moulinie has not covered in his estimates the possibility of taking Eagle and Egmont into use again. The Administrator's view is that these two islands might produce 220 tons of copra a year (compared with a total production from Peros Banhos and Salomon in the fifth year of development estimated at 810 tons). The Administrator has also given us an estimate of possible labour requirements for Eagle and Egmont. But he has naturally been unable to provide any estimates for the cost of taking these islands into use again. In this position it is suggested that Eagle and Egmont should be omitted

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from detailed consideration at this stage, it being, however, noted that if it was decided to develop Peros Banhos and Salomon it might prove economical to extend the operation to Eagle and Egmont.

Labour Requirements for Peros Banhos and Salomon

7. Mr. Moulinie has estimated labour requirements excluding supervisory staff and artisans (48 for Peros Banhos and Salomon), as follows:-

	<u>5 Year Development Period</u>		<u>Subsequent Period</u>	
	<u>Men</u>	<u>Women</u>	<u>Men</u>	<u>Women</u>
Peros Banhos	150	75	90	45
Salomon	100	75	60	45
<u>Total</u>	250	150	150	90

8. Mr. Moulinie has prepared a Development Plan in considerable detail. Some of the key figures are given in appendices A and B, together with some additional costs assessed by P.I.O.D. in consultation with the Administrator. It will be noted that the Administrator considers that an additional sum of £61,250 capital expenditure would be required on housing and social services, so that the total estimate of capital expenditure would be £187,250 (£126,000 + £61,250). This estimate excludes the cost of transporting the Ilois from Diego Garcia (or Mauritius) to Peros Banhos and Salomon.

General considerations

9. It is apparent that if the plantations are to be successfully developed this will have to be done on a long term basis (say, for an initial period of 15 years) to justify the substantial expenditure required over the first 5 years. It is estimated that returns would not be sufficient to begin to offset capital investment until after the first 5 year period.

10. In view of the heavy investment required and the uncertainty of tenure it appears that it would not be possible (or advantageous) to lease the islands for development by the lessor; no commercial operator would be likely to risk the capital involved, at any rate without firm guarantees for the future including a compensation clause for termination of agreement in the event that the atolls are required for defence purposes.

11. The alternative would be for H.M.G. to provide the capital required and for the plantations to be run by managing agents who would be paid a fee based either on the F.O.B. value of the produce or on the profits of the enterprise. In any event arrangements for development of the islands and their operation would have to be negotiated in detail with the agents.

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12. On the basis of the average price of copra quoted above, the Commissioner's view is that the plantations of Peros Banhos and Salomon could be run at a profit. However, while Mr. Moulinie's estimates may be cautious (e.g. the estimates of production); it seems clear from them that Peros Banhos and Salomon cannot be regarded as providing the basis for an enterprise capable of earning really substantial profits or weathering a serious recession in the copra market.

Employment and Livelihood under Development Plan

13. We are concerned with the numbers of Ilois set out below:-

	<u>Men</u>	<u>Women</u>	<u>Children</u>
(a) Diego Garcia (at present)	26	31	71
(b) Peros Banhos and Salomon (at present)	78	71	157
(c) Mauritius (perhaps)	97	96	177
Total	201	198	405

14. As the long term estimate is that Peros Banhos and Salomon can only support the employment of 150 men (apart from staff) and 90 women it is clear that development of these atolls could not provide a future livelihood for all those in paragraph 13. It appears that if the Development Plan is sound then adults at present in the Chagos (total 114 men and 102 women) could continue to find a livelihood there. (The small surplus of women can probably be disregarded as not more than half the women may be employed on copra production). There would remain (a) the problem of employment for the growing children (228 at present in Chagos) and (b) in the longer term the problem of population increase (possibly at the rate of about 4% a year). The Administrator's view is that if present contacts with Mauritius are maintained movement out of Chagos is likely to offset population increase: but this point and the future of the growing children would require further consideration if the proposal is to be followed up.

Pacific and Indian Ocean Department
 March, 1969.

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MOULINIE & COMPANY (Seychelles)
Five Year Development plan for Peros Banhos and Salomon -
Estimated Capital Expenditure

APPEN. A (1)

<u>Peros Banhos</u>	<u>Housing</u>	<u>Equipment</u>	<u>Fertilisers</u>	<u>Labour for planting</u>	<u>Total Capital Expenditure</u>
1st year	£7,875	£5,625	£6,225	£6,225	£25,950
2nd year	-	-	6,225	6,225	12,450
3rd year	-	-	6,225	6,300	12,525
4th year	-	-	3,150	6,375	9,525
5th year	-	-	3,150	6,525	9,675
	7,875	5,625	24,975	31,650	70,125
<u>Salomon</u>					
1st year	7,875	5,625	4,500	4,725	22,725
2nd year	-	-	4,500	4,800	9,300
3rd year	-	-	4,500	4,875	9,375
4th year	-	-	2,250	4,950	7,200
5th year	-	-	2,250	5,025	7,275
	7,875	5,625	18,000	24,375	55,875
Totals Peros Banhos and Salomon	£15,750	11,250	42,975	56,025	126,000

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APPENDIX A (2)

MOULINIE & COMPANY (Seychelles)

Five Year Development plan for Peros Banhos and Salomon
Estimated Recurrent Expenditure

<u>Peros Banhos</u>	<u>Labour</u>	<u>Shipping</u>	<u>Fuel</u>	<u>Bagging</u>	<u>Pest Control</u>	<u>General Expenditure in Mahe</u>	<u>Agency Fee</u>	<u>Total Recurrent Expenditure</u>
1st year	£13,125	£3,750	£300	£1,125	£225	£1,125	£1,800	£21,450
2nd year	13,275	3,750	300	1,125	225	1,125	1,800	21,600
3rd year	13,425	4,500	300	1,275	225	1,125	2,175	23,025
4th year	13,575	5,250	300	1,425	225	1,125	2,400	24,300
5th year	13,800	6,000	300	1,500	225	1,125	2,700	25,650
	67,200	23,250	1,500	6,450	1,125	5,625	10,875	116,025
<u>Salomon</u>								
1st year	10,875	3,750	300	1,050	112	375	1,425	17,887
2nd year	10,950	3,750	300	1,050	75	375	1,425	17,925
3rd year	11,100	4,500	300	1,125	75	375	1,725	19,200
4th year	11,250	5,250	300	1,200	75	375	1,950	20,400
5th year	11,400	6,000	300	1,275	75	375	2,100	21,525
	55,575	23,250	1,500	5,700	412	1,875	8,625	96,937
<u>Totals Peros Banhos and Salomon</u>	122,775	46,500	3,000	12,150	1,537	7,500	19,500	212,962

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MOULINIE & COMPANY (Seychelles)Five Year Development Plan for Feros Banhos and SalomonEstimated Revenue from Copra

<u>Feros Banhos</u>	<u>Tons</u>	<u>Average Price per ton</u>	<u>Total</u>
1st year	300	275	22,500
2nd year	300		22,500
3rd year	360		27,000
4th year	405		30,375
5th year	450		33,750
	<u>1815</u>		<u>£136,125</u>
<u>Salomon</u>			
1st year	240		18,000
2nd year	240		18,000
3rd year	288		21,600
4th year	324		24,300
5th year	360		27,000
	<u>1,452</u>		<u>£108,900</u>
<u>Total Feros Banhos and Salomon</u>	<u>3,267</u>		<u>£245,025</u>

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MOULINIE & COMPANY (Seychelles)

APPENDIX B

Five year Development Plan Peros Banhos and Salomon

Summary

	<u>Revenue</u>	<u>Expenditure Capital</u>	<u>Expenditure Recurrent</u>
<u>Peros Banhos</u>	£136,125	£70,125	£116,025
<u>Salomon</u>	108,900	55,275	96,937
<u>Total</u>	<u>£245,025</u>	<u>126,000</u>	<u>212,962</u>

Total Capital and
recurrent expenditure £338,962
Loss on plantations
(1st five years) £93,937

<u>Proposed Labour force</u>	<u>Peros Banhos</u>
Manager and staff 24 +	150 men and 75 women for 5 years
" " " " +	90 " " 45 " after 5 years
	<u>Salomon</u>
" " " " +	100 men and 75 women for 5 years
" " " " +	60 " " 45 " after 5 years

On the 6th year profit to A.I.O.F. estimated at £8,175.

P.I.O.D. Estimate of expenditure
not included in Mr. Moulinie's
Development Plan

Further Capital expenditure on
housing and for social
services not included in
estimate of £15,750
(Appendix A(1)).

£61,250

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