

MTIA 347/66

MEMORANDUM FOR CABINET BY THE HON MINISTER  
OF TRADE, INDUSTRY AND AGRICULTURE

Cement projects

The Department of Industry has received five applications relating to projects in the cement line. Three of these applications could not be pursued for reasons of non-availability of the sites selected by the promoters or because of the non-production of a viability study. The remaining two projects relate to the setting up of a factory for the production of the whole cycle of cement by Messrs Vickers/Mamo, and for part of the process involving the grinding of clinker, mixing and packing, by a combine of the local importers of cement. This memorandum relates solely, however, to the Vickers/Mamo project.

2. In considering the merits of the project the Board had before it, besides the usual full application form, (a) a synopsis of the feasibility study carried out for Messrs Vickers by Messrs Henry Poolay Consulting Engineers (Overseas) Ltd (the report was dated November 22, 1966), (b) a report by P.B. Consulting Group Ltd dated January 1967 which was carried out at the request of the Aids to Industries Board for the benefit of this Board and of the Industrial Development Board, London, together with (c) a report by the Department of Industry incorporating in addition to its reactions the views of the Malta Tourist Board and the Public Works Department.

3. These reports are shown as attachments to this Memo.

4. The Vickers/Mamo project is essentially the setting up of a complete plant to utilize local raw materials (with the exception of a small amount of imported gypsum) to produce 60,000 tons of cement per annum initially rising to 67,500 tons. This is roughly what the local market is annually taking in the way of cement requirements.

5. With the exception of one novelty - the horizontal array pre-heater unit - the plant proposed is the conventional dry process plant. The pre-heater unit constituted an untried element with which Vickers proposed to experiment as part of their development plan for the manufacture of cement-making plants which could prove more efficient on the fuel consumption side. However, after an adverse reaction from P-E Consulting Group, the Industrial Development Board in London, and the Aids to Industries Board here, Vickers agreed to substitute this untried unit by another well tried unit.

6. Capital costs and running costs conformed with the accepted practices. P-E Consulting Group Ltd stated that labour requirements could be significantly reduced but the engineering consultants for Vickers who aimed at a certain balance between capital cost and labour, maintained that labour reduction could only be achieved at an appreciable increase in capital costs.

7. P-E Consulting Group Ltd reported that the minimum accepted economic production unit was one of 120,000 tons of output per annum and that practice appeared to be moving towards a minimum capacity of 200,000 tons. The conclusion was reached that the Vickers/Memo project could be economically viable only if operating within a totally protected market and if it was substantially subsidized.

8. Both the Industrial Development Board in London and the local Aids to Industries Board were in agreement that in consequence of the scale proposed and the small market to be catered for (exclusively local) a total prohibition of imports of cement would be a sine qua non for the project's survival.

9. The problem of location presented, in this case, a critical factor of a decisive nature. In fact both the Industrial Development Board in London, who did not go into the merits of the competing interests of industry and tourism for the area proposed, as well as the Aids to Industries Board here who have weighed the pros and cons of both developments, have left the final decision to the Government since the problem in this particular respect is essentially one of policy.

10. The engineering consultants working for Vickers pointed out in their report that owing to difficulties in finding adequate deposits of clay in Malta, as well as for other reasons, it was decided to explore the possibility of a site in Gozo where clay existed in abundance in such a way that the amenities of the island, with tourism in view, would not be interfered with.

11. After considerable study and thought Vickers' consultants selected the coastal strip at Ix-Xatt l-Ahmar just below Fort Chambray where a shallow natural harbour already existed (although it required some deepening and the construction of a suitable jetty) and where they alleged the factory would be hidden from the rest of Gozo except on the approach side from Malta to Mgarr.

12. This site was undoubtedly also chosen because of its proximity to Marfa where applicants proposed to set up receiving and warehousing facilities since the bulk of the output would be sold in Malta. In connection with the availability of raw materials the consultants also mentioned In-Nuffera and "the pyramid of clay" below Zebbug as sources of supply.

13. The Tourist Board commenting on the question of location on the 25th February, 1967 stated that a recommendation to assist the setting-up of a 320 bed first class residential hotel at Fort Chambray was already before the British Government and that a reply from London was awaited in 3 weeks time. In connexion with tourist development at Ta' Cené and Iz-Żewwieqa it was also known to the Tourist Board that villas for sale to foreigners were being planned and there was a distinct possibility of locating hotels in those areas. The Director of Public Works held that the setting up of a cement factory at Xatt l-Ahmar was inimical to the Tourist Development of Gozo as a whole and particularly so to the development of Fort Chambray, Ta' Cené and Iz-Żewwieqa. This view had the final support of the Tourist Board.

14. The Aids to Industries Board took due note of the fact that a cement project at Ix-Xatt l-Ahmar was incompatible with tourist and residential developments at Fort Chambray, Ta' Cenc and Iż-Żewwieqa. There was a consensus of opinion in the Board that Government had to choose between the setting up of a Cement factory and the development of Fort Chambray and Ta' Cenc for Tourism.

15. In considering the economic, financial and fiscal aspects of the project the following points were taken into account. The project contemplated an investment of £1.3m excluding the cost of extending the necessary water, electricity and telephone services to the factory site as well as constructing an approach road 550 yards long and the widening and improving of a second class road of approximately the same length. The cost of extending the electricity service alone was estimated to cost £100,000, and the provision of the necessary quantity of water would necessitate the setting up in Gozo of a third distiller at a cost of some £300,000. In addition to meeting the cost of extending these services the Government was being asked to provide a grant equivalent to 50% of the cost of the fixed capital expenditure. This grant would amount to £600,000. Applicants themselves proposed to invest only £200,000 by way of risk capital and to seek to raise the balance through commercial loans. The area of land required amounted approximately to the whole area of Nadur.

16. The project, according to the promoters was calculated to offer constant employment to 195 men signifying a wage bill of £75,000 per annum and to benefit the economy through an annual savings of approximately £240,000 to £300,000 a year on the import bill. Further benefits emphasized in the Industrial Development Board Chairman's letter of April 7, 1967, addressed to the Chairman of the Aids to Industries Board were more or less on the following lines, namely:-

- a) that Vickers intended to operate the Gozo plant on the best modern and continually improving lines;

- b) that the plant would be a Shop window displaying Vickers' cement manufacturing plant under fully operative conditions;
- c) that a laboratory would be built where materials for cement-making from all over the world would be tested;
- d) that Gozo would become a training centre for Vickers's customer employees;
- e) that the Gozo plant would have provision for testing plant of new designs and specifications.

17. The latter benefits stemmed from the fact that only now were Vickers embarking on the manufacture of cement-making plant in a big way and that the Gozo plant would form an important part of their plans in that direction. Moreover, owing to the declining importance of ship-building, the Vickers Group were diversifying their interests and the manufacture of cement-making plant was for them assuming an increasing importance as were other new interests in respect of which Vickers might well begin to think of Malta as a suitable location. This is of course a very interesting development which could turn out to be of special benefit to Vickers Ltd in their diversification plans. This is hardly a justification, however, for Government to give a grant of £500,000 when Vickers themselves were only forking out, de proprio, £100,000.

18. The preceding paragraph outlines the credit side of the project. The debit side of the proposal comprises the following points which will be amplified in later paras:

- a) a loss to revenue of some £70,000 a year;
- b) the high Government contribution by way of grant of £500,000
- c) the high grant per person employed is estimated at £3000 per capita;
- d) the high selling price proposed - £7.75 per ton ex Marfa

- e) the low risk investment coupled with high returns;
- f) the interference with tourist development;
- g) the absence of export business.

19. The loss to revenue through the prohibition of imports would amount to approximately £70,000 a year. Vickers were not prepared to pay more than 2d in royalties per ton sold, as compared with the internationally accepted royalties of 1s. 6d. per ton. So that royalties would be only nominal at £500 per annum. No equivalent rate of excise duty could be raised since production costs were already very high at £6.12 compared with the current c.i.f. price of £4.3 per ton imported exclusive of Customs duty. An excise duty would increase further the relatively high selling price of £7.75 per ton and this would increase the cost of material for the building industry.

20. Excluding the cost of providing the services Government was being asked to give a grant of over £600,000, which was exceptionally high when compared to the equity participation by the Company. This was equivalent to three times the amount the promoters were prepared to invest by way of risk capital (£200,000) which the Company, according to their cash flow, would recover four and a half times over within a period of 6 years. The grant amounted also to the forecast wage bill for a full 8 year period of operation.

21. Government at the initial stages of its development plan was severely criticized because it was attracting industries with a capital/labour ratio of £2000, this average has been reduced to £500. The grant per person employed in the case of this project worked out at the all high figure of £3,000. In other words Government was being asked to foot the wage bill for 8 years. The grant/employment ratio obviously varies with the nature of the project but it must be pointed out that funds provided by the British Government to be paid out under the Aids to Industries Scheme were based on a rough ratio of £1,000 per person to be employed. Any project entailing a higher per capita grant would normally be offered a lower percentage of grant than 50%. Moreover, it was reckoned that 25 port labourers were engaged whole time on cement import handling for nine months of the year and 31 during the summer months. So that if this port employment,

which would be lost, were to be knocked off from the projected employment of 195 the grant/employment ratio would be much higher at somewhere over £3,500. The Aids to Industries Board therefore felt that this was too high a price to be paid for generating a net employment of some 170 men.

22. The selling price proposed was also high at £7.75 ex Marfa. This compared very adversely with the current import price of £4.3 per ton ex Marsa. Production costs reckoned on a selling output of 60,000 tons worked out at £6.12 per ton decreasing to £5.71 per ton at full production rating. The cash flow situation prepared by consultants anticipates an accumulated return of £970,000 in the first six years, after covering production costs. The Board felt there was room for a substantial decrease in the proposed selling price. Normally the price of a locally produced commodity should not exceed at least, the c.i.f. price of the imported commodity. In this particular case, even though the locally produced commodity is expected to enjoy the benefits of a monopoly, is to be subsidized by way of reduced royalty and its capital investment is heavily grant aided, the proposed selling price is to be 80% higher than the c.i.f. price of imported cement.

23. The risk capital of £200,000 proposed to be invested was considered by both Boards and by P-B Consulting Group to be too low. For a capital outlay of £200,000 Vickers would gain control of an investment worth £1.3million (excluding cost of services). Whilst admitting that the profit returned as compared with total capital committed was an average of 5% only for the first 6 years going up to 9.7% thereafter (less tax after 10 years), the profit matched with private risk capital presented a different picture indeed. The ratio of expected profits to the capital proposed to be invested by Vickers/Mamo gave an average return of 33% over the first 6 years and of 63% thereafter. All things considered the Aids to Industries Board felt that applicants were exacting the pound of flesh. A doubling of the risk capital to £400,000 would halve the return but it would still be very substantial at 16½% and 31½%. This was considered to be a handsome return by any standard and the Board felt that it could likewise not recommend the project unless equity holding was at least increased from the proposed £200,000 to £400,000.

24. Interference with tourist projects on the question of location has already been referred to in previous paragraphs. It is advisable to give a comparison between the potential yields from the competing products i.e. cement development and tourist development, especially since a choice has to be made owing to the incompatibility of the two projects. There was no doubt in the minds of the Aids to Industries Board that a cement project in the location indicated would mar the landscape, leave a great scar where quarrying was resorted to and pollute the air from quarry dust even perhaps in small quantities thus rendering the surroundings unpleasant, especially so to the tourist seeking unspoilt natural surroundings. The cement industry is classified under heavy industry and presents undesirable aspects which would deter any tourist before setting foot on Gozo. As Marfa is to be used for the storage of cement, the landing of this commodity and the transport of cement bags by various trucks to places of work might also affect the development of that part of Marfa touristically.

25. As against the net employment of 170 men and a net wage bill of less than £75,000 a year (when considering net employment only) offered by the cement project it was calculated that the Chambray Hotel would give employment to 280 persons and the villa project at Ta' Cenc to 500 persons. Admittedly, it would be a different type of employment, but the gross wage bill would definitely be higher and given the higher proportion of female to male population in Gozo it could also prove more desirable socially. Also, whilst the cement project could lead to a saving of approximately £250,000 in foreign spending, the tourist development projects were on the other hand substantial earners of foreign currency.

26. The cement project was not even redeemed by the possibility of exports. The promoters themselves fully realized that and worked exclusively on local market requirements. They had the plant tailor-made to give that output and no more. Neighbouring countries were not only producing for their own requirements but were also exporting cement at very keen competitive prices. Though Libya was the only neighbouring

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country that was not yet self supporting yet it was known that that country was putting up two 200,000 ton plants at the moment and it was a matter of time before its doors would be closed to imports.

27. All things considered the Aids to Industries Board could not get themselves to recommend the cement project. They felt they could not justify it on economic and financial grounds. If, however, Government for policy considerations held that industrial development should be given priority over tourism development in this particular area independent of any financial or economic considerations the Aids to Industries Board felt that in such a case the following conditions at least should be imposed:

- a) that equity holding be increased from £200,000 to £400,000;
- b) that the proposed selling price of cement be reduced by £1;
- c) that the grant offered should not exceed 33 1/3%

28. It may however be opportune to submit that when the representatives of the Company were asked, verbally, whether they would be prepared to give consideration to these conditions, they replied that the directive they received from the Board of Directors was not to accept any conditions less favourable than those applied for.

29. Hon Ministers are asked to consider whether the project should not be rejected on economic and financial grounds and because of its adverse effect on the tourist development of the Chambray, 'Ta' Cené and Iż-Żewwieqa areas.

15th May, 1967.

Note:- A write up on the clinker project promoted by Messrs Cement Industries Ltd is being annexed for Hon Ministers' information.

A.I.B. 314 - Cement Industries Limited

This project promoted by the main cement importers in Malta, involves only part of the process for the production of cement (i.e. the grinding of imported clinker mixing with other components and packing). A 33 1/3% grant of £59,387 fixed capital assets is being applied for and the potential employment is of 30 males. The project entails an increase in Malta's abnormally high import bill, as most of the materials to be ground are not available locally. The promoters propose to construct their factory at Mersa, where the presence of cement dust is most undesirable.

Full details of this project have not as yet been furnished by the promoters of this project to the satisfaction of the Department of Industry, and the application made has had to be subjected to so many alterations that a fresh one has to be drawn up. The position has been fully explained to applicants and the next move lies with them. The application has not therefore reached the stage for full consideration by the Aids to Industries Board.

31st October, 1966.

The Chairman,  
Aids to Industries Board,  
30, South Street,  
Valletta,  
Malta G.C.

Dear Sir,

CEMENT PLANT PROJECT - MALTA

In forwarding the full application for grant assistance under the Aids to Industries Scheme in respect of the above project we (Vickers Limited and Mamo Brothers (1939) Limited) as joint Applicants felt that in this covering letter we should take the opportunity of mentioning a number of relevant points concerning our application.

1. As an introductory point it seems clear that the setting up of a cement industry in Malta will be of considerable importance to the country's economy and will result in a number of advantages and benefits, the major ones being as follows:
  - (A) This new industry will help to reduce Malta's balance of payments deficit by an annual amount which we estimate to be in the region of £300,000 or more. This should be achieved through the domestic market alone and if exports develop there will be a correspondingly greater reduction in the deficit.
  - (B) On our estimates the plant when fully operational will employ 195 males on a four shift system throughout the year resulting in an annual wages bill in the region of £75,000.
  - (C) This new industry would make use of the natural mineral resources to be found in the Maltese Islands. In particular the cement industry is one of the few industries which can take advantage of the clay and limestone deposits.
  - (D) A heavy industry would be developed producing a basic commodity essential to the economic and industrial growth of the country.
2. The Applicants right from the initial stages of this project have been closely advised by the firm of Henry Pooley Consulting Engineers (Overseas) Ltd., one of the leading firms of Consultants in the cement industry with a considerable international reputation. This firm was asked to report on the feasibility or otherwise of the project. After detailed and exhaustive technological mineral and economic investigation lasting several months the Consultants reported in detail to the Applicants, giving their approval to the project subject to certain conditions being fulfilled. We would refer you to the Consultants' letter of October 7, (Appendix VIII to the application). It should be mentioned here that the Consultants will of course act as Consulting Engineers for the construction of the plant if the project goes ahead.

3. It is common practice now in almost all countries of the world for Governments to protect in the home market a local industry which due to various factors might otherwise be vulnerable and unable to achieve an economic level of production. In our view the setting up of a cement industry in the Maltese Islands is very much a case in point. At the present time Malta has only a relatively small market for cement and without the safeguards for the home market to which we refer below no cement undertaking could survive commercially for any length of time. If the project therefore is to be at all viable and give us a reasonable return on our investment it is essential to us that the Government places a restriction on the importation of Portland cement clinker and certain other types of cement when the proposed plant is in full commercial production. In the initial period we would accept a partial restriction on imports stepped up in stages to a full restriction commensurate with the rate of build up of the plant's production. It is also essential to us that the Government gives us an assurance in formal terms that it will not permit the establishment of further cement plants in the Maltese Islands.

The detailed application of these safeguards is a matter for discussion at a further stage but we must stress that we regard them as fundamental conditions if we are to proceed with the project.

4. In considering the feasibility of the project the Applicants in conjunction with the Consultants have made a detailed cost study to ascertain the likely price of cement manufactured locally. The Applicants estimate on present known factors that the locally manufactured cement will sell at a retail price ex Marfa which is eight shillings less per ton of cement than the present retail price of imported cement at Valletta. The comparative figures are shown in paragraph 19 of the application form. The Applicants recognise that the Government will wish to be reassured in the event of a price increase becoming necessary that there will be an accepted formula for doing this based on recognised cost factors. We would expect to come to a satisfactory solution on this after discussion with the Government.
5. We have in our study of the project given careful consideration to the question of distribution of the locally manufactured cement. In view of the very close proximity of the plant to its customers direct distribution will become not only more efficient but will also ensure a constant supply to meet local demands as they arise. This will eliminate the uncertain supply position which arises from time to time at present with imported cement. By cutting out additional selling costs direct distribution will of course assist in keeping the retail price below the landed price of imported cement. There is no doubt that direct distribution coupled with the customer's close proximity to the plant will result in a closer study of a customer's special requirements and stimulate the development of the various uses of cement to suit local needs. With the establishment of a local plant various ancillary industries may well develop as a result, such as industries connected with the manufacture of cement pipes and ready-mixed and pre-fabricated concrete.

6. We have of course made our own marketing enquiries and these lead us to believe that the major amount of the plant's production when fully operational will be absorbed each year by the domestic market with the balance going to export. Our estimates are largely based on the fact that the average consumption of cement in the Maltese Islands during the last five years has been approximately 60,000 tons per annum. We have referred in paragraph 44 of the Application to the growth prospects arising out of the development plan for the Maltese Islands. We would value the Government's own views on our marketing forecasts particularly as there may well be development projects in mind for Malta not yet a matter of public knowledge but which would still further increase the growth prospects for a newly established cement industry.
7. We have indicated in Appendix IX to the application details of possible export markets particularly Libya. It is the Applicants' intention, while consolidating the domestic market, to achieve in the early years of operation an export market of up to 10% output. We have as an ultimate objective and will strive for a much larger export market. Bearing in mind that domestic requirements are likely to rise to a point near present plant capacity we have in our plant design allowed for expansion. If we find in the early years of operating a growing export market to justify expansion of the plant we would seriously consider making these arrangements.
8. In our planning of the project a very complete and detailed investigation was made to determine the most suitable site in the Maltese Islands for the plant. Our Consultants, taking into account all relevant factors recommended that the plant should be located at the coastal site at Xatt l'Ahmar in Gozo. Apart from being remote from any major towns it is also far removed from present tourist development and those known to be under contemplation for the future. The site has the added advantage of being secluded from view from almost any other point on Gozo, being surrounded on three sides by hills and on one side by the sea.
9. It will be noted that the areas required at the quarrying site are fairly substantial. In order to ensure a continual supply of raw material it is essential that a 50 year mineral reserve is available for the plant. Not all the quarry areas marked will be required immediately the plant is erected but it is crucial to the whole operation that the Government will give an undertaking in formal terms that the marked areas will be available as and when required on a phased utilisation basis.
10. We have indicated in paragraph 26 of the application that internationally recognised safeguards will be incorporated in the plant to deal with dust and other potential nuisance factors associated with the process of making cement. We have been closely advised by our Consultants on this aspect and all necessary precautions have been taken in the planning and design of the plant.
11. In planning the plant the water conservation problem on the Maltese Islands has been taken into account. The plant's water requirements will be considerably reduced by the incorporation of the 'dry process' method of manufacture in the plant's design. We estimate, however, that the

plant's water requirements will still be in the region of 40,000/50,000 gallons a day and in discussion with the Government we are anxious to be reassured that an adequate supply will be available on Gozo in the long term taking into account a possible plant expansion at a later date.

12. Consumption of electricity at the plant will be a major cost item the load being estimated in excess of 7.6 million KWH per annum. Here again the Applicants wished to be assured of an adequate supply in the long term on Gozo taking into account again the possible expansion of the plant which might double the above figure. In addition, the Applicants would expect to negotiate a special rate bearing in mind that the plant consumption will be almost constant over a 24 hour period 7 days a week.
13. Full provision has been made in our planning for the transportation of cement from the factory in Gozo to Malta where storage facilities will be set up at Marfa.
14. The equipment and machinery for the plant which makes up the greater part of the capital cost will be purchased from the United Kingdom and in the main will be manufactured at Barrow-in-Furness by Vickers. A vital feature of the plant is its very specialized and integrated make-up as a whole, based on Vickers' design approved by the Consultants. It is therefore essential that the supply and installation of the complete plant is undertaken by Vickers.

As we have indicated in our full application we are seeking a full 50% grant in aid which we regard as a prerequisite if we are to go ahead with the project. However, taking together all the advantages and benefits to Malta's economy which we have referred to above we consider such a grant will represent a fully justified contribution by the Government to the economic stability of Malta.

The Applicants will of course be pleased to discuss any aspect of this application with Government representatives and will forward as necessary any further information required.

As Vickers is a United Kingdom Company it will be appreciated that Vickers investment will be subject to obtaining any consents necessary under any Government regulations applicable to the investment which may be in force at the time the project goes ahead.

Yours faithfully

for VICKERS LIMITED

for MAMO BROTHERS (1939) LTD

sgd DIRECTOR

sgd DIRECTOR

MAMO BROTHERS (1939) LTD

148, Rue D'Argens,  
Haida - MALTA

JEM/EMC

16th November, 1966.

The Chairman,  
Aids to Industries Board,  
30, South Street,  
Valletta.

L-ARKIVI NAZZJONALI TA' MALTA

Sir,

On behalf of Vickers Limited and Mammo Brothers (1939) Ltd., I would refer to our application No. AIB 305 to the Aids to Industries Board requesting certain assistance in the establishing of a Cement Plant for the manufacture of Portland Cement and associated products.

On behalf of the applicants I have been instructed to object to Application No. AIB 314 in the Malta Government Gazette No. 768. Our objection is based on the fact that this application is completely incompatible with our pending application and that it goes against the whole basis and substance of our application especially and specifically Item 6 of the assistance sought by our application which is a sine qua non condition of our application.

It is sincerely hoped that the proper nature of our objection will be appreciated and every consideration be given by the Board to our request.

Yours very truly

(Sd) JOSEPH MAMO Jr  
for and on behalf of

VICKERS LIMITED, and  
MAMO BROTHERS (1939) LTD.

NATIONAL ASSOCIATION FOR THE SAFEGUARDING OF THE HISTORIC,  
ARTISTIC AND NATURAL HERITAGE OF MALTA.

DIN L-ART HELMA  
133, Britannia Street,  
Valletta.

18th November, 1966.

The Chairman,  
Aids to Industries Board,  
30, South Street,  
Valletta.

Dear Sir,

With reference to Government Notice No. 768 published in the Government Gazette of 8th November, 1966, I beg to bring to the notice of your Board, on behalf of my Council, that this Association objects most strongly to the grant of aid of any form for the setting up of a cement factory, whether in Malta or Gozo.

As you are aware, one of the objects of this Association is to safeguard the natural beauty of Malta and Gozo. The preservation of such beauty is essential for the physical and moral well-being of the people and as a sine qua non asset for the promotion of tourism.

It is well-known that cement factories spoil the amenities of the countryside and simply destroy the landscape, whether natural or man-made, by covering everything within a very large area under a sickly cloud of jaundiced hue. A visit by one or two of your esteemed members to the "cementeria" outside Augusta, which ought to be well-known to most Maltese travellers in near-by Sicily, should quickly confirm this opinion.

It is not to be heard of that the natural beauty with which Providence has endowed these Islands, especially around or near our magnificent coastline, which belongs to all of us, and which we must hold in trust as usufructuaries for future generations, should be made subservient to the aggressiveness of one or more no doubt well-meaning but misguided entrepreneurs.

We refer you to section 9 of the Constitution, Directive Principles: the State shall safeguard the landscape and the historical and artistic patrimony of the Nation.

We refer you to the UNESCO Recommendation for the Safeguarding of the Beauty and Character of Landscapes and Sites, passed in Paris on 11 December 1962 (Copy enclosed).

We refer you to the Malta Government Tourist Board and to the Ministry of Education, Culture and Tourism, to both of whom we are submitting copies of this letter.

The idea of having a cement factory in Malta was mooted several times in the past but was on each occasion abandoned as an unpracticable and by no means sound economic proposition.



There is so much else, particularly in light industry and our ancient and noble crafts, to which the genius of our people could be more profitably applied for our economic expansion.

We understand that the Gozo site applied for lies smack in the faces of the tourist who arrive at Mgarr. We denounce such an idea as an act of folly, which will prove a great repellent to tourism.

We suggest that should your Board wish to give the projects their further consideration they should not reach final decisions before consulting expert opinion, if need be drawn from an international panel, on the preservation of the amenities of the surrounding area. But we trust and pray that this will not be necessary and that under your expert guidance the two applications will be turned down.

We shall await your reply with great concern and hope we shall not be disappointed.

Yours faithfully,

Sgd. N. Caruana Curran  
CHAIRMAN

A.V. BARTOLI & SONS,  
27, Pietro Floriani Str.,  
Floriana,  
Malta.

22nd November, 1966.

Dear Sir,

We wish to refer to the application for Aid No. 768 which appeared in the Govt. Gazette of the 8th November, 1966, wherein it was stated that the Aid to Industries Board had received two applications for the setting up of an industry for the manufacture of cement in Malta.

Availing ourselves of the opportunity accorded by the law of submitting comments on such applications, we would like to bring certain points to the notice of your Board. As we are amongst the largest importers of cement in these Islands, we feel that we can write on this subject with a certain cognizance of facts.

Our objection to the setting up of a cement manufacturing plant is not simply based on the fact that such an industry might block one of our lines of trade,

The study made by five experts of the Centre d'Etudes Industrielles of Geneva in 1963 on the feasibility of a cement manufacturing industry in Malta has clearly stated that this industry could be established here. However, in the section dealing with the economic feasibility of the project, it was also stated that, if the total local requirements of cement were produced by this factory (60,000 - 70,000) then the selling price of this product would be around £6.10.0d per ton. This price - which was reckoned on conditions prevailing in 1963, and which were then, as you are well aware, more favourable than those existing today - is nearly 100% dearer than the price of the imported cement. This notwithstanding the fact that the price of the imported product includes freight, insurance, landing charges, duty and, very often, transport charges, whereas the price of the locally manufactured cement would only include cost of production plus the profit for the manufacturers.

One cannot fail to notice that it is the strong competition between large foreign cement manufacturers, that has succeeded in lowering the cost of imported cement to its present level.

On the other hand one can easily foresee that the day a local industry starts operating, notwithstanding the fact that it would be enjoying full protection by a ban on importation, the cost of production would be bound to continue to rise according to the tendency of wages and salaries. This would eventually have repercussions on the final cost of building. Any optimistic idea of increasing production over the 60,000 - 70,000 tons for export, possibly to Libya, is bound to remain "wishful thinking". We have recently been informed that the Italian Cement Manufacturers, who used to supply the North African market until a few years ago, are now unable to sell a single bag owing to the strong competition of cement imported from Eastern Europe, manufactured by Russia, Roumania, Yugoslavia and Bulgaria which,

with their surplus production, are capable of dumping at very low prices.

A conscientious study of any project to establish large industrial concerns on these Islands will prove that they are bound to be a burden to the country and to the people unless they can have a large production and a correspondingly large market to absorb their production.

Yours faithfully,  
A.V. BARTOLI & SONS,

sgd. Gerald G. Bartoli.

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J. B. SOROTTO

21st November, 1966.

Sir,

I beg to refer to Govt. Notice No. 768 under the heading APPLICATIONS FOR AID, appearing in Govt. Gazette dated 8th November 1966, for aid to manufacture Portland Cement Clinker, grey Portland Cement, Pozzolanic Portland Cement and masonry cement on a site in Gozo, and to manufacture Ordinary Portland Cement on a site in Malta.

On behalf of Messrs. Othon C. Lefas-Tetenes of Athens, I object to such an aid in view of the past negotiations that Messrs. Tetenes had with the Government for the manufacture of same kind of Portland Cement which were not continued as the site on which to build the factory indicated by Messrs. Tetenes had not, then, been accepted by the Government and as an alternative no other site was indicated by Government notwithstanding Messrs. Tetenes request.

Yours faithfully,

p.p. J. B. SOROTTO.

THE MALTA CEMENT CO. LTD

2, Dolores Flats,  
National Road,  
Blata-il-Bajda.

December 6, 1966.

The Hon. Minister of Trade, Industry  
& Agriculture,  
Old Mint Street,  
Valletta.

Dear Sir,

Aids to Industries Applications

Nos. 305 and 314

We find ourselves obliged to write to you in connection with the above two applications which are being considered by the Aids to Industries Board.

We think that we should begin by giving you some background about our Company. Importation of cement is at present about 60,000 tons per annum and we handle nearly seventy per cent of the demand. The five members in the Company have a long history in the cement market and they have acquired their specialised know how and their contracts and outlets in the trade at considerable expense and risk and through a relevant effort at times not disjointed from hardships and losses. The Company is actually making its small contribution towards economic viability of Malta; whilst it is subject to and it is paying customs duty on imports and income tax on profits. It is in a way financing the building trade and helping development by affording and in fact giving extensive credit facilities to owners, contractors and constructors. In order to be able to meet such credit, the Company constantly carries an overdraft with its bankers in the region of £25,000.

The members in the Company, individually prior to formation and collectively since constitution, have been always alive to the initiative of studying the possibility of producing cement in Malta. For this purpose they have at intervals sought the advice from leading companies and institutions both in the consultant and in the production and marketing fields as well as from plant manufacturers on the Continent and in the United Kingdom. The results have invariably been in the negative the reason being that the feasibility of a cement plant is necessarily bound on a vast home market as exports, even where they exist, are usually made at cost and they are not taken into account in assessing profitability. Moreover, the planning of a cement factory has to start from an unfavourable outset due to the extensive capital investment which is required and its lack of labour intensiveness. All these factors, coupled with the necessity that raw materials and markets have to be practically located on its doorstep in order to avoid handling charges which impinge considerably on the retail price of the product, have influenced adversely the final decision. Nowadays in view of modern automotive practices, it is an accepted form that a factory producing less than 200,000 tons per year is never taken into consideration, as such an enterprise is notoriously uneconomic.

In the circumstances, the Company, in association with the Cementerie C'Augusta of Sicily, has chosen the next best solution namely the production of cement through the grinding of imported clinker. An application (number 314) has been submitted to the Aids to Industries Board, and to justify the principle in the application, a feasibility study prepared by our associates has been also forwarded to show the inadvisability and the economic impossibility of setting up a full cycle cement factory in these Islands. The Company's proposal is, on the other hand, fully feasible, it will open up the possibility of new jobs even if in a limited number, it takes into account expansion possibilities to cope with increased local demands and eventual export requirements if they arise, it will make cement available in bulk thus dispensing with bagging charges and, what is most important, it will sell cement cheaper on the retail market.

The Aids to Industries Board is simultaneously considering an application (number 305) by Messrs Vickers Armstrong Ltd., for the setting up of a full cycle cement factory in Gozo. Messrs Vickers, together with their local representative, are pushing their proposal by means of a highly pressurised publicity build up and in their campaigning for support they are seeking to implicate the Government by procuring and publishing favourable statements from the four Gozitan candidates elected by the Nationalist Party. This is lobbying at its worst. Cement production and marketing is a highly technical and competitive business and it is only qualified consultants or producers who should and can make statements and forecasts about installations, openings for employment, feasibility and the like. It is most unfair and dangerous to pick on uninitiated individuals who only have a personal political interest in the place earmarked for the installation for qualified people normally accept to make statements only after they have fully examined particular proposals. The reactions to which reference is made were solicited by the person or the persons who are directly involved and were surely made as a consequence of the most sketchy explanations. The procedure is highly dangerous as the stand taken by its Gozitan members might, in the eyes of the public, be taken to be indicative in the sense that Government has already prejudged the issue. If some official pronouncement is not made without delay, this impression will gain ground and Government might find itself unable to refuse the application or, if it refuses the proposal, it might appear to be going back on its decision.

Up to time of writing the Company has kept in the background as it feels that in such complicated matters the national interest is better served if official quarters are not bulldozed into hasty decisions but they are given the full time which is required for a complete evaluation. We feel that, through our silence, we are being put to a disadvantage. It is with regret that we have to state that we will be forced to use the methods imposed upon us by our competitors unless we receive an urgent assurance from your part in the sense that we will be kept informed during all stages and that Government will consult with us during the processing of both applications.

Before examining the report prepared by Messrs Vickers, the Company cannot comment objectively on the relative application. Partial information fed artfully to the public is contradictory and does not make sense from a technically qualified view point. The facts which have emerged may be summarised as follows. The projected factory will produce 70,000 tons annually which is considered enough to satisfy local requirements and to leave a margin for exports, that it will employ 200 people, that the equipment to be installed shall be the latest available and therefore more costly. Apart from the consideration of feasibility in principle based on the yearly output, it is indeed difficult to accept the feasibility of the project which is being proposed. By applying the most recent automation machinery, a factory producing 800,000 tons of cement annually is run efficiently by employing a maximum of 160 people inclusive of management and administrative personnel, technical, skilled and semi-skilled and manual labour. By comparison it is hard to conceive that the proposed factory with such a lower scheduled production can profitably absorb 200 employees. This could possibly be achieved by discarding automative appliances in plant and installing the older type man operated machines which do not classify as being the latest available equipment. Such a solution would minimize capital outlay but it would saddle the enterprise with an unjustified recurrent wage bill which, besides making the installations outdated from the very beginning, would influence adversely its yearly earning and therefore its profitability besides tending to throw out of balance its overall economic feasibility forecast and the future viability of the initiative.

Messrs Vickers' application, it is assumed, requires the usual 33 and one third per cent grant aid, exemption from customs duty and from the payment of income tax on profits and the provisioning of site with services which, in this case, should include a wharf and loading and handling facilities. Against such concessions and as a counterpart to such aid, Government should ensure that the feasibility of the project should not only cover the aspect of profitability but that it should extend to the proof that the finished product could be sold by retail at a price which does not exceed the price for imported cement minus customs duty and minus also handling charges at both ends and freight and insurance charges. After all the price factor is one of the aspects of feasibility and, in the end, it is the basic and final economic consideration in choosing to set up an industry for the production of a certain commodity rather than to continue importing that same commodity. The result of such an exercise is highly problematic, especially as regards the consumer in Malta where, in relation to internal demand, there will continue to exist the larger sales possibilities. In fact the consumer in Malta will continue to buy cement at a price which is increased, as in the case of imported cement, by handling charges for loading and unloading at both ends and by freight charges which will result to be not very far from those which are actually being paid on the Sicily/Malta run. This is of course consequent to the fact that the proposed factory will be sited in Gozo and, for this reason, it is not clear whether the Maltese consumer, even if he is fully entitled to look out for an advantage in view of the heavy initial subsidization which the project will be receiving from public funds will

receive any benefit unless, of course, Government is prepared to enter into a commitment to subsidise the selling price of cement in Malta. Thus it is apparent that the Gozo siting is one of the factors influencing feasibility considerations and Government should ascertain from the beginning whether handling and transportation charges, when scrutinised within the framework and in relation to the scope and purpose of an aided industry, would tend to render generally uneconomical the sale of the product on the larger home market.

Nor is it correct to assert that the acceptance of this application will bring about a saving to the exchequer in the balance of payments equivalent to the whole bill which is being currently disbursed in the payment of cement importations. Some having will undoubtedly be made. But a proportion of such savings would still go out of Malta by way of profits accruing from the enterprise and payable to the owners who are not Maltese citizens. These profits will not be limited to the productions of cement but, unless in some way curbed, would extend to the marketing trade which falls within the sphere of business of the Company and other Maltese importers. Moreover, in view of the exemption from the payment of income tax, Government will find itself deprived of tax which the Company and other importers are actually paying on profits realised by them from this source. The effects consequent to the loss of revenue to Maltese citizens and the loss of tax to the Government would thus go a long way in offsetting global benefits through a possible balance of payments savings.

The Company is sure that Government will not fail to carry out full investigations and strictest scrutiny, even through the employment of foreign experts, in the assessment of feasibility and viability of Messrs Vickers' application. The Company is also sure that Government will not fail to put into effect appropriate conditions to safeguard acquired interest pertaining to Maltese bodies or Maltese citizens. The Company feels confident in this respect in view of the method adopted by Government in evaluating a recent request (which has yet been entertained) for the setting up of an oil refinery. The two instances offer quite a number of analogies. Oil and refined oil products are vital to the life of a country and is the constant availability of cement at a competitive price for the timely carrying out of all works of development, whether infrastructures of the building of specific projects; a refinery and cement factory are highly technical and extremely specialized operations and their planning, their feasibility, economic and profitability aspects should be studied dispassionately from all angles and thoroughly sifted; both have undergone revolutionary developments in recent times as a result of the application of automative devices and both present a negative solution to the unemployment problem, especially in a country which has not yet reached economic independence, in view of the lack of proportion between capital investment (which is high) and labour possibilities, (which are low). Both initiatives tend to mar the surrounding and the ancillary areas and both constitute real obstacles, factual and psychological, to touristic development. In a country which is going through the motions of economic and industrial development, both industries are bound to trample on and interfere with acquired interests, namely the existing channels of importation and marketing of their respective finished product. In considering the request for the oil refinery, Government has kept to the fore the acquired interests and the defence of the investment pertaining the actual importers

and distributors of oils and fuel oils even if such interests and investment belong to foreign bodies. Once that foreign acquired interests and investments have been so jealously safeguarded in the oil field - even to the extreme of sacrificing a possible saving in the balance of payments - The Company is sure that, in this instance, Government will exercise at least an identical measure of carefulness and thought in the defence of the acquired interests and investments pertaining to the Maltese citizens members in the Company and to other importers of cement will result similarly safeguarded and unassailable.

The Company wishes to make it clear that, in making these submissions, it is not, in principle, against the setting up of a cement factory. As evidence of our intent it is sufficient to refer you back to our efforts to set up such a factory on our own initiative. The Company is motivated by the thought of defending its acquired interests in the marketing field and by the clouded forecast which necessarily prevails as a result of the unfavourable outcome with which we have invariably been confronted in the studies and the investigations carried out on our behalf by the most expert firms in this field. Until we are made aware of the facts on which Messrs Vickers are basing their application, we remain sceptical about the future of this initiative and we are not able to entertain a positive view about its viability. We are of course prepared to modify our outlook and to offer our help and our full cooperation if we could examine and discuss with Messrs Vickers the information in their application and their feasibility studies and, in this event, we would be prepared to make available the full documentations in our possession. We will be most grateful if through your efforts and good services you would deem it fit to prevail on Messrs Vickers to adopt such an attitude and from this very moment we assure you that we would not fail to look upon their proposal objectively and from the point of view of the best interests of the country's economic development.

The Company requests that Government should immediately issue directions to the Aids to Industries Board and to all other officials concerned that, in considering the application filed by Messrs Vickers, the acquired interests and the investments pertaining to the Company in the field of cement marketing should be kept well in mind for the purpose of being safeguarded and defended if ever the said application will reach the stage of being accepted. If this is not done, the members in the Company would be forced to give up the just rewards of the efforts, the work, the risk and the capital which they have invested over the years and they are still investing in this field. It is unthinkable, whether by moral or by trading standards, that Maltese citizens, who have always been prepared to take similar risks, should, in preference of a foreign investor, be deprived of the reward which is their due. It would be highly unjust if, in the process, the foreign investor is helped by monies and other financial aids paid out of funds pertaining to Maltese citizens as, in such a case, Government in purporting to launch a new aided industry totally belonging to foreigners would be killing a flourishing Maltese enterprise. Government has the power to remedy and to rectify a similar injustice. If convincing proof is eventually submitted about the viability of the project and if Government should decide to take the risk, the concession should be made conditional to grantees not being permitted to distribute the product thus affording



the possibility to existing and well trained channels to continue carrying on the trade and business which they have built up. Such a step would bring in its wake a further condition, namely that Government should reserve the right to review prices fixed by the producer in Gozo, such a step being indicated in view of the handling and transport charges to Malta and in order to assure that at all time there will not exist undue impositions with consequent delays on development building programmes.

We are addressing this letter to you because we consider the plea raised in the preceding paragraph to be in the nature of policy and touching upon the prerogative within the ambit of your ministerial office. As such it is proper to write to you directly and to expect commensurate and appropriate attention and action from the part of Government. Although the Aids to Industries Board can make recommendations, matters of policy are, strictly speaking, alien to the Board so much so that, by law, it falls upon you finally to approve applications.

We have done our best to focus the situation and we hope to have impressed upon you our point of view. We are confident that you will not find anything amiss with our views and we are sure that you will examine the position, actual and eventual, from the aspect of particular rights and interests which can and must be dovetailed with national requirements and aspirations to which we would like and would consider ourselves proud to contribute our small share. Whilst anxiously awaiting to read your reply, we hold ourselves at your disposal and take this opportunity to confirm that we are ready to consider any suggestion which we might have the honour to receive from you.

Yours faithfully,  
The Malta Cement Co. Ltd.,

sd. (R. TABONE)  
Managing Director.