

Zero tariffs undermine \$200m cement plant



Tanga Cement Company: It had already invested \$46 million to increase its production capacity from 750,000 tonnes to 1.25 million tonnes a year, but has now halted the second phase of the project. Photo/LEONARD MAGOMBA

The Tanga Cement Company has put its planned multi-million expansion on hold, depriving the regional economy of the multiplier effects of an injection of \$200 million.

This follows an influx of subsidised, imported cement, owing to the removal of 35 per cent import duties under the East African Community's Customs Union (See *The EastAfrican*, Page 31, November 30 - December 6).

Juerg Fluehmann, managing director of Tanga Cement, said they decided to put off the \$200 million investment in the second phase of expansion of its clinker production capacity.

This was due to the change in policy on import duties and the oversupply of cement on the global market, combined with a collapse of freight rates.

He said Tanga Cement was working with the government to bring back the suspended duties and to have a specific tariff installed as an anti-dumping measure.

This will help protect the cement industry in East Africa.

Phase one

Tanga Cement has already invested \$46 million in a project to increase its production capacity from 750,000 tonnes to 1.25 million tonnes per annum in the first phase of expansion — scheduled to start earlier this month.

But the fate of the second phase is now in doubt.

The reduction of suspended duties on cement has led to an influx of cheap imports from low-cost producers such as Pakistan, India and China.

The price of cement from these nations is 50 to 60 per cent below the domestic market rate since producers enjoy lower costs of production.

David Njoroge, managing director of Hima Cement in Uganda, said the region has enough capacity to meet the demand but cannot fully utilise the installed capacity due to unfair competition from cheap imports.

He said that, in the past two years, cement companies in East Africa have invested \$600 million in expansion of capacity.

Today, the region's total capacity stands at 9.5 million tonnes a year, compared with a demand of six million tonnes.

Apart from Tanga Cement, a Kenyan company, Athi River Mining, which was to invest \$120 million in a cement plant in Tanga, has stopped the construction for the past one year.

Another proposed investment by West Africa's Dangote in Mtwara, Tanzania, has also been put on hold.

Pradeep Paurana, managing director of Athi River Mining, said in Nairobi last week that the governments of East African countries should impose a surcharge of \$50 per tonne for imports into the region, instead of zero tariffs.

Mr Paurana said cement imported mainly from Pakistani was being dumped in East Africa, threatening local investments.

According to Mr Paurana, despite the imposition of zero tariffs on imported cement, their Tanzanian investments — two cement plants in Maweni in Tanga and Mkuranga in Coast Region, near Dar es Salaam, — would go ahead.

"Athi River is putting \$25 million into the Dar es Salaam project and another \$120 million in the Tanga plant — with a production capacity of 2000 tons a day — starting January 2010," he said.

The Athi River company was to produce 1.5 million tonnes a year by October 2010 after completion of the project, making it the largest cement producer in East Africa.

Source: **The East African, 07 December.**