

MINISTRY PAPER NO. _____

ISSUES RELATED TO THE SHORTAGE OF CEMENT

1.0 INTRODUCTION

1.1 The purpose of this Ministry Paper is to provide a summary of issues and policy initiatives that have had a direct or indirect impact on the domestic market for cement. The Ministry Paper forms a part of investigative work undertaken by the Ministry of Industry, Technology, Energy and Commerce to document and analyse the events that led to a shortage of cement in the domestic market.

1.2 The shortage of cement combined with quality problems brought the Jamaican construction sector to a standstill in the first quarter of 2006 and continues to have a negative impact on the economy. The Planning Institute of Jamaica (PIOJ) reported a decline of 6.3% in the construction sector for the first quarter of 2006¹.

1.3 The Ministry will continue to meet with stakeholders in the cement industry on a weekly basis until full normalcy is restored in the market. These weekly meetings address issues relating to import schedules, domestic production, distribution, standards, complaints procedures and import logistics.

2.0 OVERVIEW OF THE WORLD MARKET

2.1 World production of cement grew by approximately 4% in 2005 with an estimated 2.22 billion tonnes produced that year, with 1 billion tonnes or 45% of annual world production concentrated in China. The next highest producer is India with an annual production of 130 million tonnes representing 5.8% of world production, followed by the United States with 99 million tonnes annually or 4.4% of world production². CEMBUREAU, the European Cement Association, estimates that the world production of cement has doubled over the last twenty years³. Jamaica's production in 2005 was 0.845 million tonnes⁴, which is roughly 0.04% of world production.

2.2 Global trade in cement is insignificant when compared to total production. It is estimated that 5-7% of global production is traded on annual basis. In 2003 world trade in cement was estimated at 126.5 million tonnes⁵. Within this context and considering the importance of construction to an economy, cement is viewed as a strategic industry in producing countries.

¹ PIOJ Economic Update and Outlook Jan-Mar 2006

² US Geological Surveys, Mineral Commodity Summaries, January 2006

³ CEMBUREAU Activity Report 2004

⁴ Caribbean Cement Company Ltd.

⁵ Cement Americas, March 1, 2004

2.3 The current demand for cement in the Americas is strong with the United States accounting for the greatest pull on the product. In addition to being the third largest producer, the United States is also a significant importer of cement as it imports approximately 20-25% of its total cement requirements in any given year. Data for 2006 shows continued growth in demand and it is estimated that the overall growth in cement consumption in the United States for 2006 will be in the region of 3.7%⁶.

2.4 The strong pull for cement in the region has been attributed to several factors including the:

- rebuilding of areas damaged by hurricanes in 2004 and 2005;
- a generally strong housing market in the United States;
- the slowing of imported product from traditional Far East suppliers as China gears for the 2008 Olympics and other Asian suppliers seek to meet the demand for the rebuilding of areas in Southeast Asia;
- a shortage of shipping from non traditional sources and
- the several tourism and construction projects in the Caribbean as the region gears for World Cup Cricket in 2007.

2.5 A notable regional development in 2005 was the settlement of a long standing cement dispute between the United States and Mexico related to an August 30, 1990 antidumping duty placed on imports of Portland Grey cement entering the United States from Mexico.

2.6 In 2004, members of Congress, trade groups, and cement consumers called on the US Government to reduce or eliminate the antidumping duties so that cement could be imported from Mexico more cost-effectively. The settlement between the United States and Mexico went into effect April 2005. The agreement allows, *inter alia*, a set limit of 3 million metric tons of imports of Mexican cement to enter the United States at a lower antidumping duty rate through to 2009. If terms are adhered to over its three-year life, the agreement will be terminated and the 1990 antidumping duty order will be revoked.

2.7 Cement analysts expect worldwide demand for cement to remain strong, with the annual growth in demand being estimated at between 4.8% to 6.8% per annum through to 2008⁷.

3.0 OVERVIEW OF DOMESTIC AND REGIONAL MARKETS

3.1 Jamaica is estimated to have 150 billion tonnes of recoverable limestone with varying physical and chemical properties. A major use of the limestone in Jamaica has been the production of cement. Caribbean Cement Company Ltd. (CCCL) first began commercial production in 1952 with a plant capacity of 100,000 tonnes. CCCL is currently the only producer of cement in Jamaica. Although investments to establish a

⁶Cement Americas, 2006 US Cement Forecast, Jan 1, 2006

⁷ Cement Americas and World Cement and Additives to 2008

competing cement plant have been encouraged by GOJ, these have not yet materialised. According to reports from CCCL, the production of cement in 2005 was 845,000 tonnes and sales stood at 863,000 tonnes. Following consultations with the Incorporated Masterbuilders Association of Jamaica and CCCL during the last quarter of 2005, the Ministry projected growth in the domestic cement to be in the region of 10% - 15% for 2006, translating into a market size of 950–990,000 tonnes. Import data provided by Jamaica Customs shows that since the imposition of a provisional 40.83% tariff in March 2004 followed by a final 40% tariff later that year, imports from extra regional sources declined in 2004 and 2005. The Anti Dumping and Subsidies Commission estimated that in 2003, the last full year before the tariff increase, CCCL’s market share was approximately 78%.

3.2 The following is a summary of production and trade data for the period 2001 – 2005:

Table 1: Volume of Cement Production, Imports and Exports in Jamaica 2001 – 2005 (Metric Tonnes)

	2001	2002	2003	2004	2005
Production	596,247	613,980	607,682	808,840	844,840
Imports	85,736	136,722	173,557	21,007	9,438
Total	681,983	750,702	781,239	829,847	854,278
Exports	12,760	3,000	10,428	0	n/avail

Source: CCCL for production data; STATIN for trade data 2001-2004 and Jamaica Customs for import data 2005

3.2 Trinidad Cement Limited (TCL), a Trinidadian company, acquired a majority shareholding in CCCL during 1999. CCCL is listed on the Jamaican Stock Exchange (JSE). TCL owns 74% of CCCL’s shares with the remaining 26% being owned by minority shareholders. It is reported that at the end of March 2006, CCCL had more than 24,000 shareholders.

3.3 TCL is the sole producer of cement in Trinidad and Tobago. TCL also owns and operates Arawak Cement Company, the only cement plant in Barbados. Total regional demand for cement within CARICOM in 2004 was estimated at 2.2 million tonnes by TCL while on the supply side the production facilities in Trinidad, Barbados and Jamaica were estimated at having an annual combined production of approximately 1.9 million tonnes⁸. With the recent expansion in Trinidad, the TCL Group’s cement current production capacity is estimated at 2.56 million tonnes⁹

3.4 TCL is listed on both the Trinidad and Jamaica Stock Exchanges. Cemex, a Mexican based company and one of the largest cement producers in the world with a global production capacity of 98 million tonnes of cement, is a large shareholder in TCL. Cemex owns 20% of TCL’s shares and has a seat on the TCL Board. Other large shareholders include the National Insurance Fund in Trinidad and Tobago and other

⁸ TCL Draft Paper to the COTED, May 2005

⁹ TCL website - www.tdgroup.com

pension funds in that country. In 2002 Cemex made an attempt to increase their holdings but was restrained by a TCL bylaw which prohibits a single shareholder from holding more than 20% of TCL shares. Cemex attempted to get TCL shareholders to change the restrictive bylaw but was unsuccessful in this bid. During July 2002 Cemex representatives met with the then Minister of Industry, Commerce & Technology and the Minister of Mining and Energy in Jamaica to outline the Cemex proposal to TCL shareholders

3.5 The Common External Tariff (CET) for cement is 15%. At the 11th Council for Trade and Economic Development (COTED) meeting held May 2001, Trinidad and Tobago obtained a derogation of the CET on cement in order to apply a higher tariff. Trinidad and Tobago used this approval to increase its tariff from 15% up to its World Trade Organization (WTO) bound rate of 60%¹⁰. Following an application of the bound rate for over three years, the Government of Trinidad and Tobago lowered the duty on cement to the original CET level of 15% during 2005. This lowering of the tariff roughly coincided with the completion of phase one of TCL's US \$20 million expansion programme in Trinidad, which is reported to have increased the company's annual production capacity from 780,000 metric tonnes to 1,200,000 tonnes. However, there were recent public appeals from some in the Trinidadian construction sector for the suspension of the 15% CET on cement. In response to these requests; the Government of Trinidad and Tobago requested a suspension of the tariff on 20,000 metric tonnes of cement during June 2006.

3.6 At the 11th COTED meeting, Barbados also requested and received approval for a derogation of the CET to apply a higher rate for 58 tariff lines, including cement. Later that year Barbados moved to its WTO bound rate on cement, that is, 60%. This duty is still in effect in Barbados.

3.7 Jamaica joined the request from Trinidad and Tobago, tabled at the 11th COTED meeting for a derogation of the tariff on cement, as the cement tariff was under active consideration in Jamaica. Jamaica advised the COTED that a final policy decision had not yet been taken, but in the event there was an eventual decision to apply a higher tariff, CARICOM member states would be duly notified. The COTED agreed to Jamaica's position.

4.0 EXPANSION OF CCCL

4.1 During July 2005 the company announced that International Finance Corporation, the private sector arm of the World Bank Group, facilitated TCL in structuring and arranging the US\$105 million equivalent financing package that will help TCL expand and modernize the Jamaican plant, while reducing carbon emissions and improving environmental standards. The expansion is to double CCCL's clinker capacity from 0.65 million tonnes to 1.3 million tonnes and increase production capacity from 1.05 million tonnes to 1.9 million tonnes.¹¹

¹⁰ The term 'bound rate' refers to the tariff ceiling for a commodity as included in a country's Schedule of Commitments to the WTO

¹¹ CCCL Presentation to Development Council Dec 1, 2005

4.2 The expansion of the plant was an important consideration during the Government of Jamaica's review of the tariff on extra regional cement. MITEC records indicate that in April 2001 there was a formal request from CCCL for Jamaica to move to its bound rate of 50% on cement.. It is noteworthy that firm arrangements for the financing of the expansion were announced only months after the tariff increase.

5.0 ANTI DUMPING ACTIONS IN JAMAICA 2000 – 2004

5.1 As a signatory to the WTO, Jamaica accepted multilateral rules to protect domestic industries faced with unfair competition from dumped or subsidized imports. Jamaica passed modern anti dumping legislation in 1999 and the Anti Dumping and Subsidies Commission was established.

5.2 Three anti dumping investigations on cement were conducted over the period 2000 - 2004. These investigations adhered to the strict procedural guidelines outlined in the WTO Agreement on Subsidies and Countervailing Duties as well as the domestic legislation governing anti dumping, that is, the Customs Duties (Dumping and Subsidies) Act, 1999. All three investigations confirmed dumping of cement in the Jamaican market and led to the imposition of anti dumping duties. The following table presents a summary of the investigations and the final determinations. Two anti dumping rulings are still in effect but the anti dumping duty on Thailand has expired.

Table 2: Anti Dumping Duties 2001-2006

Country	Product	Duties	Date of Final Determination	Normal Expiry Date
Thailand	Ordinary Portland Grey Cement	87.91%	June 11, 2001	June 11, 2006
Indonesia	Ordinary Portland Grey Cement	9.98%	July 2, 2002	July 2, 2007
China	Ordinary Portland Grey Cement	89.79%	June 14, 2004	June 14, 2009

Source: Anti Dumping and Subsidies Commission

6.0 ATTEMPT IN 2003 TO INCREASE THE CEMENT TARIFF

6.1 On October 21, 2003 the Finance Minister tabled a Resolution in the House of Representatives to increase the import tariff on cement to 50%. The Resolution stimulated heated debate in Parliament as well as in the wider public. The Minister agreed to delay the Resolution to allow interested parties to make submissions.

6.2 To this end, the Minister of Finance convened a public hearing on November 20th 2003 at the Jamaica Conference Centre and five Cabinet Ministers¹² heard

¹² Finance and Planning; Industry and Tourism; Development; Water and Housing; Commerce, Science and Technology

presentations from a cross section of interested parties. At the public hearing, several organisations recommended that the Government await the determination of the safeguard investigation that was already underway before taking a final decision on an appropriate tariff for imported cement. This was agreed.

7.0 SAFEGUARD INVESTIGATION

7.1 In 2001, the Safeguards Act was passed into law giving Jamaican companies access to the provisions of the WTO Agreement of Safeguards. This Agreement allows WTO members to safeguard (temporarily protect) domestic industries that have been found, through the evaluation of empirical evidence, to be injured or facing a threat of injury from imports – even when these imports are deemed to be ‘fair’, that is, not dumped or subsidized.

7.2 The Anti Dumping and Subsidies Commission commenced investigations on the first safeguard case on October 16, 2003 in response to a complaint made by CCCL with regards to the injury it faced from imports of ordinary Portland Grey cement. The company contended that cement was commodity prone to dumping and that it needed protection from a higher tariff during its period of expansion. Under the Safeguards Act, the Commission recommends the safeguard measure and the portfolio Minister makes a determination on the amount that is to be applied. (Procedurally, however, the Cabinet makes tariff decisions.)

7.2 During December 2003 the Commission released preliminary findings that there had been an increase in the imports of cement and that these imports threatened serious injury to the domestic cement industry. The Commission’s recommendation led to Cabinet’s approval of the application of a provisional duty of an additional 25.83% on the existing duty of 15% during March 2004¹³ while the Commission completed its investigation and made a final determination.

7.3 The investigative process by the Commission included public consultations as well as consultations with exporting countries who had an interest in the investigation, including the Arab Republic of Egypt, the Peoples Republic of China and Russia

7.4 The final affirmative determination was published by the Commission on July 16th, 2004 and recommended a final safeguard duty of 25.83%, the exact amount of the provisional measure. The Commission determined that Jamaica’s domestic cement industry was under threat and that the industry required an appropriate level of protection.

8.0 FINAL POLICY DECISION ON THE CEMENT TARIFF

8.1 The recommended safeguard of 25.83%, when combined with an applied rate of 15%, would yield a composite tariff of 40.83%, a tariff rate below Jamaica’s WTO

¹³ Gazette dated March 30, 2004

bound rate of 50% for cement. Following a process of consultations spearheaded by the Ministry of Commerce, Science and Technology and involving the Attorney General's Department, the Ministry of Industry and Tourism, the Ministry of Finance and Planning and the Ministry of Foreign Affairs and Foreign Trade, there was consensus that a straight increase in the applied tariff rate of 40% would be the most effective mechanism to implement the tariff recommendation of the Commission.

8.2 During August 2004 Cabinet agreed to increase Jamaica's applied rate to 40% rather than apply a safeguard duty and in September 2004, Jamaica advised the WTO that it had terminated investigations in the cement safeguard case.

8.3 In November 2004, a Resolution was tabled and approved in the Jamaican House of Representatives which raised the tariff on the following tariff lines of cement:

- 2523.291 building cement (grey)
- 2523.299 other
- 2523.90 other hydraulic

9.0 SUPPLY SHORTAGE IN 2005/2006

9.1 By way of an advertisement appearing in the Daily Gleaner Monday Nov. 14th, 2005. CCCL confirmed shortages of cement supply in the domestic market. During that period ads were also placed by an importer, Mainland International, calling on the Government to "free up the market".

9.2 On the morning of November 15th, 2005 the Minister of Finance and Planning requested that the Financial Secretary and the Permanent Secretary of the Ministry of Commerce, Science and Technology (MCST) meet urgently that afternoon to discuss the cement shortage. A meeting was held later that day between these two officers as well as senior representatives from the Tax Audit and Assessment Department and the Ministry of Industry and Tourism.

9.3 The meeting discussed the background, parameters and principles relating to the duty on cement and unanimously agreed that the principles of a) equity b) fair competition and c) minimal revenue loss to GOJ should govern possible requests for a duty concession on cement. With respect to revenue loss the meeting determined that this would be insignificant considering the low level of imports for 2005 (see Table at 3.2).

9.4 It was further agreed that MCST would compile the data needed to inform an eventual policy decision on the matter.

9.5 The Commerce Minister wrote to CCCL on November 17th, 2005 directing that an urgent report be submitted to him the following day. On November 18th, 2005 CCCL responded advising that the cement shortage occurred because of an eleven day work stoppage during October 2005 due to a 'wildcat strike' and heavy rains. The figures

submitted by CCCL, indicated that cement inventories had dropped from a high of 25,000 tonnes in early October to a level of 5,000 tonnes in mid November - an 80% decline in inventory levels over six weeks.

9.6 Ministry records indicate that there were differing signals from CCCL during this period (i) the public advertisement by CCCL indicated that normalcy would resume in the market within two weeks – without any reference to a need for supplemental imports (ii) a note from the Chairman of the Trade Board indicating that CCCL had verbally advised that imports of 25,000 MT of cement were needed and then (iii) the written report from CCCL submitted to the Ministry indicating that CCCL planned to import 40,000 tonnes of cement to alleviate the shortage.

9.7 At the request of the Ministry and by way of letter dated Nov. 16, 2005 the Incorporated Masterbuilders Association of Jamaica (IMAJ) advised of an existing backlog in the market of 15,000 MT and recommended total imports of 32,500 MT to include a buffer stock.

9.8 During the third week of November 2005 the Commerce Ministry documented the issues relevant to the cement shortage and the policy options available to address a cement shortfall of between 32,500 and 40,000 tonnes.

9.9 CCCL gave an undertaking to the Development Council on December 14th, 2005 that it would import cement supplies to satisfy the shortfall in the market and to pay the applicable 40% duty. At that meeting the IMAJ expressed reservations with regards to the CCCL proposal. The Government accepted the proposal from CCCL. However, to ensure that CCCL met the agreed production and import levels, the Minister of Commerce Science and Technology instructed that the Trade Board implement a programme to monitor CCCL's imports and production levels¹⁴.

9.10 The Trade Board's analysis of CCCL's performance for January 2006 revealed that CCCL was not meeting the agreed targets and that the shortfall in the market was, in fact, growing. For January 2006 the company reported imports of 9,781 tonnes following imports of only 4,000 tonnes in December 2005. On receipt and analysis of the January report, the Trade Board convened an urgent meeting with CCCL on February 10th 2006, at which the company confirmed that it was having difficulties in importing cement due to unavailability of product from traditional sources, lack of reliable shipping from non traditional sources and the company's relative inexperience with imports. The possibility of opening the market to other importers was raised by the Chairman of the Trade Board and it is reported that CCCL initially resisted this option but eventually indicated that the matter would be discussed at a CCCL Board meeting on February 16th 2006.¹⁵

9.11 The Ministry and the Trade Board then convened an urgent meeting with the Ministries of: Development; Finance and Planning; Foreign Affairs and Foreign Trade

¹⁴ MITEC File 17/4/50 Encl 212

¹⁵ MITEC File 17/4/50 Encl 9

and the IMAJ in order to agree the policy recommendations to be made to Cabinet on the matter.

9.12 On March 6th 2006 the Commerce Minister presented the Submission to Cabinet and the lowering of the tariff to 15% for an initial six month period was agreed. It was further agreed that applications would be made to the Finance Ministry through the Trade Board and that the agency would establish a Review Committee, comprised of private and public sector representatives, to monitor developments in the cement market.

9.13 Within one week of the announcement of the duty waiver, the Trade Board recommended applications totaling 156,000 tonnes to the Finance Ministry and by the end of March 2006 the total volume recommended stood at 177,408 tonnes. Where a proforma invoice was supplied by the importer, the Ministry of Finance and Planning issued the waiver, but where the importer had not submitted a proforma invoice the Ministry issued a commitment letter, where possible, to facilitate financing arrangements.

9.14 The Cement Review Committee, comprised private and public sector representatives, met on March 8th, 15th and 20th 2006.

9.15 At the meeting of March 20th, importers requested an extension of the time period for importation from six months to one year. The Minister supported the request and agreed to place the request before Cabinet. Later that day, Cabinet agreed to the request made by the Commerce Minister and approved the extension of the 15% duty for an additional six months, moving the total waiver period to one year.

9.16 On April 1st 2006 the Minister of Commerce Science and Technology was assigned portfolio responsibility for 'Industry' as well and the Ministry was renamed the Ministry of Industry, Technology, Energy and Commerce (MITEC).

9.17 Up to May 12th 2006, the Trade Board received applications for waivers on 590,508 tonnes of cement while the Finance Ministry had issued waivers for 113,382 tonnes and commitment letters for another 121,000 tonnes. Figures supplied by the Bureau of Standards indicated that of the waivers granted, 15,758 tonnes had been actually imported.

9.18 On May 12th 2006 the MITEC Minister requested a meeting with the Incorporated Masterbuilders Association of Jamaica (IMAJ) and the Hardware Merchants Association (HMA) and CCCL to determine why importers had not yet filled the supply gap with imports. This meeting was held on May 16th, 2006. At this meeting, issues related to the importation of the product and the quantum of cement required were discussed. It was agreed that there was a backlog in demand of about 60,000 metric tons of cement, caused by production difficulties at the local plant and with the replacement of inventory estimated at a further 40,000 tons, the volume of cement needed immediately to correct the current shortfall was now about 100,000 tons. A joint proposal was tabled by the

Associations for a total removal of the 15% CET to allow importers to source higher priced cement on the spot market. A one month period was discussed and agreed in the meeting. However, following the meeting the Minister amended the period to three months to give importers greater flexibility when making purchasing arrangements.

9.19 At the May 12th meeting, concerns were expressed by the Immediate Past President of the IMAJ that the assurances of importers had not materialised when importers received the 15% waiver and what was now needed was a ‘bankable assurance’ In response, one importer acknowledged that while it would miss the original May delivery date, its first shipment of 37,000 tonnes would arrive in the island during June 2006. CCCL also committed that it would continue imports and would seek to maintain production levels at 70 – 75,000 tonnes monthly. There was an allegation that one importer had, in fact, diverted cement destined for Jamaica to a US port. The company representative did not confirm or deny the allegation but indicated that it had now concluded arrangements with the Ex-Im Bank to facilitate imports.

9.20 CARICOM rules require that approval be obtained for routine suspensions of the CET on cement (this excludes exceptional or emergency conditions). Following the meeting of May 16th, 2006 the Commerce Minister spoke with his counterpart in Trinidad and Tobago who indicated that he would support a request from Jamaica. The Ministry put in a formal request to CARICOM for the three month suspension later that day. It was understood, however, that the application was a formality and if it was not granted, Jamaica would still proceed with the duty waiver but would contemplate legal cover under the General Exceptions (Article 226) of the Revised Treaty to justify the measure taken.

9.21 The day following, that is on May 17th 2006, the Government extended the regime for duty free imports of cement from three months to one year. An amended application was sent to CARICOM and subsequent approval was granted.

10.0 PRICE INCREASES BY CCCL

10.1 Discussions on the shortage were exacerbated with the 5% price increase on cement during July 2005 and an announcement by CCCL of another price increase to be made during the fourth quarter of 2005 just as the shortage was beginning to surface. However, CCCL issued a statement on November 24th 2005 that there would be no further price adjustments until the backlog in demand was filled and the situation in the market had returned to normal.

11.0 GOJ EFFORTS TO SECURE CEMENT

11.1 In an effort to ease the shortage of cement, and acting on the instructions of the Commerce Minister, the Permanent Secretary approached the Cuban Government for assistance. This approach was made at the local diplomatic level and the response was positive. The Ministry of Information and Development (MID) was assigned lead responsibility to secure the supplies of cement from Cuba and that Ministry led a visit to

Cuba over the period March 23rd – 26th 2006. The President of the IMAJ accompanied the MID representative. The Cuban Government committed to assisting Jamaica by rescheduling its own construction projects but insisted that the contract would have to be made on a Government to Government basis.

11.2 Samples of Cuban cement obtained during the first visit to Cuba were tested by the Bureau of Standards and these were found to satisfy the comprehensive strength requirements of the Jamaican Standard.

11.3 On May 19th, 2006, the MITEC Minister confirmed the Government of Jamaica's purchase of 72,000 tonnes from the Republic of Cuba and issued a formal commitment letter to the Cuban Minister of Basic Industries for the first shipment of 8,000 tonnes. The Ministry of Information and Development has continued to lead in the commercial arrangements with Cuba.

12.0 QUALITY ISSUES

12.1 By way of a memorandum dated February 28th, 2006 the Trade Administrator advised the Chairman of the Trade Board those quality problems had been reported in cement delivered by CCCL to three companies. His report indicated that CCCL was aware of quality problems with a recent batch of cement. This report was sent to MITEC and the Bureau was immediately asked to investigate.

12.2 The Bureau's report was received on March 2nd, 2006, the same day that the Caribbean Cement Company Limited (CCCL) issued a voluntary recall of 500 tonnes of cement sold in bulk bags found to exhibit false setting characteristics or premature hardening of concrete.

12.3 The initial CCCL recall covered a batch of bulk cement produced between February 23rd and 24th, 2006 which was found to be defective. Sales were immediately suspended while detailed process checks were carried out. Cement sales resumed to customers on February 26th, 2006.

12.4 CCCL reported that on discovering the problem, they contacted various customers who purchased the product and initiated a recall of the batch of cement.

12.5 Subsequent tests by the Bureau of Standards revealed that a sample of bagged cement produced within the same period failed compressive strength and setting time tests under the compulsory standard for cement (JS 32). This led to a second recall by CCCL on March 15th, 2006 of all cement produced at its plant between February 19th and 25th, 2006.

12.6 Over the period March 20th - 24th, 2006 CCCL suspended the manufacture and distribution of cement. This quality issue leading to product recall, the quarantining of cement in stock, the temporary closure of the plant along with the pre-existing shortfall in supply caused a shutdown on construction sites across the island.

12.7 As previously indicated, the MITEC Minister met with the sector on March 20th, 2006 and obtained approval from Cabinet later that day to extend the 15% concessionary rate from six months to one year. At that meeting Cabinet also agreed to the appointment of an investigative team to determine the factors that led to the production and distribution of sub standard cement.

12.8 On March 21st, 2006 the Attorney General's Department advised that the investigation team should be appointed under the Standards Act. The Terms of Reference was prepared by March 23rd, 2006 and organisations were asked to submit their nominees. On March 27th, 2006 the Minister announced the seven man investigation team comprised as follows:

- Team Leader – University of Technology
- Representative, University of Technology
- Representative, University of the West Indies
- Representative, Incorporated Masterbuilders Association of Jamaica
- Representative, Jamaica Manufacturers Association
- Representative, Jamaica Institute of Engineers
- Representative, Hardware Merchants Association

12.9 The team was charged with the task of identifying the specific factors that led to the production and distribution of cement that failed to meet the compulsory standard and to make recommendations to avoid a reoccurrence. The team was given six weeks to complete the assignment with an agreed completion date of May 5th, 2006.

12.10 Towards the end of the six week period, the team requested an extension of two weeks. This extension was granted, moving the deadline to May 19th, 2006. The team explained that the extension was due, in part, to the fact that not all the documentation requested from CCCL had been forthcoming on a timely basis and further, that as the investigation progressed it had become necessary to spend additional time at the cement plant to examine specific issues. Following the extension request, the Permanent Secretary wrote to CCCL requesting continued cooperation in the timely submission of the data needed by the investigation team.

12.11 On May 19th 2006 the team advised the Permanent Secretary of MITEC that the draft report had been completed but that the findings had not been submitted to CCCL for comments. The Ministry advised that under the principle of 'natural justice' it was critical that CCCL be given an opportunity to comment on the report before the report was submitted to the Ministry. The team, therefore, gave verbal notice of the need for a further two week extension and this was granted. The revised deadline for submission was then moved to June 2nd, 2006. The report was received on that date and submitted to Cabinet on June 5th 2006 for its review.

12.12 On May 22nd, 2006 the Bureau indicated to MITEC that it also wished an opportunity to comment on the draft report. The team subsequently agreed to provide

the Bureau with an extract of the draft report that contained findings and recommendations relevant only to the Bureau.

12.13 A restriction was placed on the release of the report, pending the review by Cabinet. On June 19th 2006, Cabinet approved the release of the full report with the proviso that the names of individuals be removed from the public document.

13.0 BUREAU OF STANDARDS SAMPLING AND TESTING PROTOCOL

13.1 On May 3rd, 2006 a meeting was convened by MITEC to resolve difficulties that had surfaced between the Bureau of Standards and CCCL re the sampling and testing procedures for new and reprocessed cement.

13.2 The meeting discussed a draft document prepared by the Bureau entitled "Protocol for Monitoring, Sampling and Testing Cement produced by the Carib Cement Company Limited". Following several hours of discussion, which the Permanent Secretary of MITEC presided over, amendments were agreed and the final document was signed by the Executive Director of Bureau of Standards and the General Manager of the Caribbean Cement Company Ltd.

13.3 Following the announcement of the full duty waiver, MITEC met with the Bureau to direct that labeling protocols be clearly communicated to importers. On May 24th, 2006 the IMAJ issued a press release indicating that it would be working with MITEC and the Bureau to assist importers with quality assurance processes to minimize the time frame for getting cement into the island.

14.0 CONSUMER COMPLAINTS

14.1 Subsequent to the two product recalls by CCCL, the Consumer Affairs Commission received several complaints from consumers with regards to faulty cement. The Chairman of the Commission met with the General Manager of CCCL on Wednesday, April 12th, 2006 to establish a mechanism to handle complaints. A joint procedure was agreed in the meeting. Subsequent to the meeting, the Commission expressed dissatisfaction with the timeliness and content of the responses received from CCCL. Further meetings were held with CCCL during May 2006 and these were more satisfactory to the Commission. The Commission has retained the services of an attorney and is presently working with the CCCL to have the complaints satisfactorily resolved through mediation.

14.2 The Commission has also included cement in the list of retail commodities regularly surveyed to ensure that price movements are closely monitored.

14.3 The following is a summary of consumer complaints to the Commission related to cement for 2005 and for the period January – May 2006:

**Table 3: CEMENT RELATED COMPLAINTS AND QUERIES
For the Year Ending December 31, 2005**

Description	Jan- March 05	Apr-Jun 05	Jul-Sept 05	Oct-Dec 05	Total
Quality related issues	0	0	0	2	2
Information requests ¹⁶	0	0	0	3	3
Total Complaints	0	0	0	5	5

Source: Consumer Affairs Commission

**Table 4: CEMENT RELATED COMPLAINTS AND QUERIES
For the Period January - May 2006**

Description	Jan 2006	Feb 2006	Mar 2006	April 2006	May 2006 ¹⁷	Total
Quality related issues	0	0	22	7	6	35 (47%)
Information requests	1	1	31	5	2	40 (53%)
Total Complaints	1 (1%)	1 (1%)	53 (71%)	12 (16%)	8 (11%)	75 (100%)

Source: Consumer Affairs Commission

**Table 5: CEMENT RELATED COMPLAINTS AND QUERIES
Source of Cement Complaints/Queries for the Period January - May 2006**

Parishes	Jan	Feb	March	April	May	Total
Kingston & St. Andrew	0	0	9	3	3	15
St. Catherine	0	0	9	5	1	15
St. James	0	0	4	0	0	4
St. Thomas	0	0	2	1	1	4
St. Mary	0	0	5	0	1	6
Clarendon	0	0	3	1	0	4
Portland	0	0	3	1	1	5
Other Parishes	1	1	18	1	1	22
Total	1	1	53	12	8	75

Source: Consumer Affairs Commission

¹⁶ Information sought related to Quality, Shortage, and Price

¹⁷ Actual data for the period May 1-26, 2006

15.0 CURRENT CEMENT SUPPLY STATUS

15.1 Over the period March 6th- June 15th 2006, the Trade Board received applications for 610,270 tonnes of cement imports under the concessionary regime. Importers submitted pro forma invoices for 141,422 tonnes to the Ministry of Finance and Planning, allowing duty concession letters to be issued for these imports. The Finance Ministry also issued commitment letters to importers for an additional 120,000 tonnes of cement. The Trade Board report indicates that since the May 17th 2006 announcement of the removal of duties for one year, it received three additional applications totaling 17,414 tonnes of cement and that these three applications were submitted by CCCL.

15.2 The Bureau of Standards has reported that up to June 15th 2006, 48,970 tonnes of cement have been imported for the year (excluding imports directly for the bauxite sector) and of these imports, approximately 79% was imported by CCCL.

15.3 The MITEC Ministry, with the Minister presiding as Chair, meets with stakeholders in the cement, construction and hardware sectors on a weekly basis and at this forum, cement importers gave a firm commitment that shipments totaling over 70,000 tonnes of cement would be imported during June 2006. It is unlikely that this commitment will be met and the Ministry projects an import volume more in the region of 25,000 tonnes for June. To date, 10,500 tonnes have been imported for June 2006 and these imports have been by CCCL. Indications are that stability is now returning to the market. It is expected that full normalcy will be restored by the end of July 2006.

15.4 The first shipment of cement from Cuba under the Government to Government arrangement is now being loaded at the Port of Cienfuegos in Cuba. Loading of the vessel was delayed due to heavy rains in Cuba. The shipment of 8,000 tonnes of bagged cement is scheduled to arrive in Jamaica by June 24th, 2006. Over the next two months the same vessel will travel back and forth between the two islands to transport a total of 32,000 tonnes of bagged cement to Jamaica in four equal shipments. Following the shipments of bagged cement, 40,000 tonnes of bulk cement is scheduled to be imported under the Government to Government arrangement. This is subject to the identification of an available specialized vessel equipped to transport bulk cement.

15.5 CCCL reports that cement sales for the period January 1st - June 15th 2006 stood at 412,000 metric tonnes, which is 3% less than the same period for 2005, when sales were 426,000 tonnes.

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