

IN THIS ISSUE

Leader	1
Concrete interests	
Private Sector	3
Not what the doctor ordered... Fighting the illegal pharmaceutical drug trade	
Opinion Poll	4
Polling Lebanon's electorate	
Sectoral Outlook	6
Agribusiness opportunity: Grapeseed oil?	
A new niche: Health tourism in Lebanon	7
Survey	8
Wedding planners (Part II)	
Legislative Outlook	10
Old laws: Time to go?	
Discover Lebanon	11
Family lineage: The Chehabs and Fakhreddines	
Kouachra: Turkish language, little water and electricity	12
Focus on Iraq	13
The real thing?	
Focus on Syria	14
Balancing act: Wages and inflation in Syria	
Interview	15
A talk with Khalil Mala'eb, head of K&M International	
Editorial	16
Current Statistics	16

Concrete interests

High local prices for cement have critics crying foul

In the early 1990s, Lebanon's cement industry prospered, owing to a boom in construction activities, which stimulated the expansion of existing factories. However, the winding down of the reconstruction process, poor economic conditions and the small Lebanese market soon led to stagnation in the sector. Cement manufacturers began looking to regional markets, where competition in terms of quality and pricing was tough. Iraq is one example, where the price of cement ranges between \$40 and \$45 per ton.

This has led to criticism about the high local prices for cement, with critics blaming the industry's oligopolistic structure and drawing attention to environmental concerns, which they say are going unheeded.

Cement plants

It is estimated that the cement industry employs approximately 3,000 workers throughout the whole chain. There are three main cement companies in Lebanon:

- Holcim*: Major shareholders comprise the Swiss Holcim Company (50%), the Sehnaoui family, the Maronite Patriarchate, Farouk Jabr and Mazen Salha.

- The National Cement Company (NCC): Major shareholders are the Doumit and Asseily families.

- Siblincement Company: Major shareholders are Walid Jumblatt, the Hariri Group, the Kassar and Boustani families and Touma Arida.

The factories belonging to Holcim and the National Cement Company are located in North Lebanon, and those belonging to Siblincement are located in the Al-Kharoub region in the Chouf. Holcim's capital is estimated at LBP 234 billion (\$155.2 million), while Siblincement's capital is approximately LBP 76 billion (\$50.4 million).

* The Lebanese Cement Company became Holcim (Lebanon) in January 2002.

Production

Total annual cement production in Lebanon has varied, from 2.9 million tons in 1993 to 3.9 million tons in 1995 and 3.8 million tons in 1996. Production continued in a downward trend until it reached 2.6 million tons in 2003. Table 1 shows the distribution of production by factory and years.

According to estimates by cement industry insiders, the direct cost of production of one ton of cement ranges around \$25, distributed as follows:

- \$6–15: Cost of fuel (\$15 for fuel or \$6–7 for charcoal)
- \$10: Cost of labor
- \$5: Raw material

However, the selling price of one ton of cement on the Lebanese market reaches \$75–80, including VAT. The marked difference between cost of production and the market price has raised questions as to the size of the industry's profits. Moreover, critics point to the price of one ton of exported cement to Iraq or Syria, which reaches \$40–45, translating into a 40–50% reduction from the Lebanese market price.

Companies, on the other hand, point to the high cost of investment and upgrading machinery, as well as rising market prices for raw materials and energy. On the issue of the higher local prices, cement companies argue that they must account for their fixed and variable costs when pricing for local consumption. Export markets, however, receive surplus production and are priced to cover variable costs only.

Critics also claim that cement companies submit inaccurate financial statements to the government to allege losses and be exempted from fees and taxes on profits.

Continued on page 2