What are the benefits of a second cement plant in Namibia?

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Executive summary

Namibia’s only cement plant closed down in 2000 and hence the country relied exclusively on imports. A new cement plant was constructed near the town of Otavi and commenced production in 2010. It has a production capacity of 1 million metric tonnes, which is currently not fully utilised. The domestic production of cement reduced cement imports by more than 90 percent and increased exports of cement by 250 percent between 2010 and 2015. Some 350 workers were directly employed in the cement, lime and plaster industry in 2014. In addition, indirect jobs have been created and or secured in upstream industries – gypsum and iron mining, bush harvesting for fuel, etc. – and downstream industries – sleeper factory, transport sector etc.

The cement industry accounts for the largest share of non-metallic mineral production, which contribution to the GDP of the manufacturing sector rose from 2.2 percent in 2010 to 5.4 percent in 2015. Value addition in the non-metallic mineral industry grew on average stronger (12.0 percent) than total GDP (4.6 percent) and the GDP of the manufacturing sector (4.8 percent) between 2007 and 2015.

Namibia’s per capita cement consumption amounted to 260kg based on a total consumption of 600,000 metric tonnes and a population of 2.3 million people. Assuming an increase to 320kg and a total population of 2.96 million in 2030, Namibia’s total cement consumption would increase by more than 50 percent to almost 950,000 mt by 2030. The figure suggests that the current production capacity could meet the demand.

The potential for exporting cement appears to be limited owing to increasing supply in the region and protectionist measures in some countries, such as Angola. Botswana is the only neighbouring country that has not established a meaningful cement industry and relies on imports. The country could be a possible export destination for Namibian cement, even though the transport distance is longer than from the Gauteng Province. Since cement is a relatively low-value, high weight product, long transport distances pose a competitive disadvantage.

Ohorongo Cement is the only cement producer in Namibia and the industry is protected by Infant Industry Protection that expires in 2018. The only company importing cement into Namibia, Jack Trading, is exempted from the IIP duties owing to a pending court case. The ownership structure of Ohorongo Cement (the Development Bank of Namibia is a shareholder) as well as potentially additional imports should price levels on the Namibian market be lucrative because of surplus capacity in the region mitigate against the risk that the two players increase prices beyond a reasonable profit.

Economic, environmental and social sustainability has received much more attention in recent years, not least because of the declaration of the Sustainable Development Goals. Increasing awareness regarding green building standards will result among other in the demand for more sustainable production processes for building materials. Furthermore, the current water crisis
highlights the precarious situation in the central areas that needs to be taken into account when planning new industrial developments.

Estimated future domestic cement consumption based on population projections and increased per-capita consumption would suggest that current production capacities could match the demand in the medium term, while export opportunities are rather limited. It is therefore likely that additional players on the domestic market will lead to over-capacity and a reallocation of resources. A second cement plant will therefore not necessarily result in an overall increase in cement production and hence in economic benefits, but could eventually force players out of the market because of total domestic demand and limited export opportunities.
### Acronyms

<table>
<thead>
<tr>
<th>Acronym</th>
<th>Description</th>
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<tbody>
<tr>
<td>CSI</td>
<td>Cement Sustainability Initiative</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>HS</td>
<td>Harmonised System</td>
</tr>
<tr>
<td>IIP</td>
<td>Infant Industry Protection</td>
</tr>
<tr>
<td>Kg</td>
<td>Kilogramme</td>
</tr>
<tr>
<td>mil</td>
<td>million</td>
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<tr>
<td>mt</td>
<td>metric tonnes</td>
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<tr>
<td>NAD</td>
<td>Namibia dollar</td>
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<tr>
<td>SACU</td>
<td>Southern African Customs Union</td>
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<tr>
<td>to</td>
<td>tonnes</td>
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<tr>
<td>USD</td>
<td>United States dollar</td>
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<tr>
<td>WBCSD</td>
<td>World Business Council for Sustainable Development</td>
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</table>
1 Introduction

Namibia’s first cement plant, African Portland Cement Otjiwarongo, which produced 200,000 metric tonnes (mt) of cement and 100,000 mt of clinker, closed down in 2000. Afterwards cement was imported into Namibia from mainly South African producers. In 2004 a joint venture between the local company Whale Rock and CP Cimento e Participacoes S.A of Brazil started to import up to 18,000 mt of cement monthly from Brazil under the brand name Cheetah Cement. Due to fierce competition with other cement importers Whale Rock was driven off the market in a price war. A new investor from Germany constructed the Ohorongo cement plant near the town of Otavi and commenced production after a two-year construction period in December 2010. In October 2015 Whale Rock announced its plans to re-enter the local market with a new production facility at Otjiwarongo. It teamed up with China’s Asian and African Business Management in order to set up a USD350 million cement plant.

This report analyses the contribution of the cement industry to value addition, employment and imports and exports. It also highlights the relevant areas of competition and sustainability and draws some conclusions concerning the benefits of a second cement plant in Namibia.

2 Economic contribution of the cement industry

2.1 Value addition – Contribution to Gross Domestic Product

Cement production is included in the National Accounts under ‘other non-metallic mineral products’. Disaggregated data for this category is not publicly available and therefore the following analysis has to be treated with some caution. In 2007, the manufacture of non-metallic mineral products contributed NAD171 million to value added or to the Gross Domestic Product (GDP). The industry’s contribution accounted for 2.0 percent of the value addition of the whole manufacturing sector and for 0.3 percent of total GDP. The industry’s contribution as a share of total GDP remained fairly stable until 2010 (0.3 percent), but increased in 2011 to 0.45 percent. It fluctuated thereafter, but stood at 0.45 percent again in 2015.

The industry’s contribution to the manufacturing sector showed a slightly different picture. It increased from 2.0 percent in 2007 to 2.2 percent in 2010 and continued to increase thereafter to 5.4 percent in 2015. In nominal terms, the value addition grew by 288 percent from NAD171 million (2007) to NAD664 million in 2015 with a strong increase in 2011 and again in 2014. The value addition grew on average by 12.0 percent between 2007 and 2015 and hence much faster than total GDP (4.6 percent) and value added of the manufacturing sector (4.8 percent). The strong growth is primarily owed to a 72.3 percent growth in 2011. In absolute terms, the production of cement increased from 390,000 mt in 2011 to 662,000 mt in 2013 (United States Geological Survey, 2015).
However, the industry’s growth during this period was below the construction industry’s performance of 16.6 percent on average. The value addition of the construction industry increased strongly in particularly over the years 2013 to 2015 with growth of 28.5, 42.9 and 33.7 percent respectively. This compares to growth rates of 3.8, 5.6 and 8.1 percent for other non-metallic mineral products over the same period. Since cement is part of the other non-metallic mineral products, one would have expected a stronger performance of the industry because of the increased demand for cement from the construction sector.

The figures show that the industry’s role in the economy has grown substantially since 2011 and supported the overall robust performance of the Namibian economy during this period. The total contribution of the industry to the economy is larger owing to its backward and forward linkages. Other raw materials needed in the production process such as gypsum and iron ore are sourced locally as well as biomass (invader bush) that is harvested to reduce the use of imported coal for the heating process. Pallets for the transportation of the final product are built in Namibia using imported pine wood from South Africa that is not available in Namibia. Forward linkages exist in the form of a sleeper factory at Tsumeb. The cement industry thus serves as a good example of how value chains can be created and extended within the Namibian economy.

### 2.2 Employment

Employment in the cement, lime and plaster industry stood at 355 persons in 2014, slightly up from 345 two years earlier, but down from 448 in 2013 based on the Labour Force Reports (Namibia Statistics Agency, 2015). In addition to the direct jobs in the cement industry, indirect jobs are secured and or created in through backward and forward linkages in upstream and downstream industries as described above.

### 2.3 External Trade

After the closure of Namibia’s only cement plant in 2000 the country relied exclusively on the importation of cement. The value of imports of cement clinkers, white Portland cement, other Portland cement, aluminous cement and other hydraulic cement (HS codes 25231 to 25239) amounted to NAD208.1 million in 2006. Other Portland cement (excluding white) accounted for 96.5 percent of the total import value for these goods. During the same year, exports amounted to NAD21.8 million or 10 percent of imports. Consequently, Namibia experienced a trade deficit in cement of NAD186.4 million. The trade deficit widened substantially over the following three years reaching NAD575.5 million in 2009 – a more than threefold increase. This was due to strong growth in the value of imports of white Portland cement and other Portland cement, while exports were up compared to 2006 but dropped from NAD97.5 million in 2008 to NAD31.0 million in 2009.

Since 2010 the picture has changed. Imports dropped significantly from NAD449.7 million (2010) to NAD32.3 million in 2015. Over the decade 2006 to 2015 imports of cement declined by 84.5
percent. On the other hand, exports rose from NAD21.9 million (2010) to NAD70.2 million (2012) before declining to NAD55.7 million in 2015. Despite a declining value of exports during the last three years, exports were 156 percent higher in 2015 than in 2006. The increase was owed to strong growth in the exports of other Portland cement (excl. white), which increased by 166 percent, while exports in all other cement categories declined. Declining imports and increasing exports resulted in the reversal of the trade deficit into a trade surplus since 2013. The surplus, however, decreased from NAD49.8 million in 2013 to NAD55.7 million in 2015.

Cement imports accounted at their peak for 1.1 percent of total imports (2009), but for a mere 0.03 percent in 2015. Exports reached a high of 0.26 percent of total exports in 2008, but stood at 0.10 percent in 2015. Cement imports reduced the overall trade surplus in 2006 of NAD2.1 billion by 8.9 percent (or NAD189 million). In the following years cement imports contributed between 6.4 percent (2007) and 1.0 percent (2011) to Namibia’s trade deficit. The commencement of domestic cement production and hence growing cement exports has reduced the growing trade deficit in the following years slightly (0.1 percent in 2015). Although this seems to be a very small contribution, had the country continued to rely on cement imports, the trade deficit in 2015 would have been at least 1.3 percent higher. Hence, domestic cement production has not only saved foreign exchange reserve that are currently under pressure, but contributed NAD23 million to the reserves in 2015.

3 Demand and supply

Cement is a low value, but bulky product and hence transportation costs account for a relatively large share of total product costs. This usually limits competition in the market, since producers further away from the consumer face a price disadvantage. However, this could change if overcapacities exist or if producers produce far below costs in other regions. In the first case, producers could just try to recover the variable costs of production and would therefore be in a better position to absorb transportation costs. In the latter case, more lenient social and environmental regulations could result in much lower production costs than in other regions, but create unwanted externalities. Hence, despite the characteristics of cement, the supply and demand situation in other parts of the world can have an impact on the cement industry in Namibia. Therefore, a brief overview of global cement demand and supply is needed.

3.1 Global demand and supply

Cement production has seen rapid growth over the past six decades fuelled by urbanisation and investment in infrastructure and production capacities. Global cement production stood at 133 million mt in the 1950, but rose to one billion mt in the 1980s and more than four billion mt in 2013 (Edwards, Peter, The Rise and Potential Peak of Cement Demand in the Urbanized World).

The global cement market is dominated by China that has seen tremendous growth since beginning of economic reforms in the 1980s and subsequently substantial investment in
infrastructure including power plants, houses, ports and airports. China has become the by far largest consumer of cement with more than 2.5 billion mt annually, followed by India with some 250 million mt in 2014 (IA Cement Ltd., Global Cement Outlook). The rapid growth of the Chinese cement industry with double-digit figures until 2011 has resulted in overcapacities and hence low margins for producers. Chinese cement consumption was expected to have dropped by 3.6 percent in 2015, since China is moving from an export-led growth to domestic-led growth with specific focus on the services sector rather than the manufacturing sector. Contributing to the slow down are closures of older and less efficient factories in China.

Global demand was expected to contract by 1.1 percent in 2015 for the first time, but recover slightly in 2016 (1.5 percent) (ibid.).

Africa’s cement production grew by some 26 percent between 2001 and 2014 only exceeded by growth in Asia. However, Africa accounts for only 4.8 percent of global cement production (2014) and the demand in African countries is expected to slow down due to the drop in demand for commodities and hence lower prices. Kenya was expected to be the best performer in 2015 with anticipated growth of 9.0 percent that will decline to 8.0 percent in 2016. Nigeria and Ghana are expected to follow the same trend with a reduction in demand by one percentage point to 1.0 percent and by 0.3 percentage points to 1.5 percent respectively. Egypt has been the largest producer in Africa with 50 million mt ranking twelfth globally (Edwards). A number of African countries are, however, amongst the fastest growing cement producers led by Sudan with a growth of 1,260 percent between 2002 and 2012. Nigeria ranked third on the global scale with a growth of 656 percent. The three North African countries Egypt, Algeria and Morocco are leading African countries in per-capita cement consumption with some 500kg (Armstrong, 2013). Ethiopia has emerged as one of Africa’s largest markets owing to infrastructure development, which led to overcapacities. These are most likely only short term, since Ethiopia lags considerably behind other countries in terms of per capita cement consumption that stood at 61kg (Bloomberg Intelligence, 8 April 2016). Zambia came on top in the Southern African region and 17th in the world. Cement production increased by 345 percent to 1.2 million mt (Edwards).

### 3.2 Regional demand and supply

South Africa’s cement consumption was anticipated to contract by 0.5 percent in 2015, but recovery in 2016 by 1.2 percent (IA Cement Ltd.). South Africa has seen recently major new investment in cement production by Dangote in partnership with Sephaku Holding and by the Chinese-backed Mamba cement, while consumption has declined after construction activities for the 2010 FIFA Soccer World Cup were completed (Bloomberg Intelligence, 8 April 2016). Furthermore, a number of kilns are ageing resulting in low efficiencies and high maintenance costs (ibid.). Currently South Africa’s per-capita consumption is on par with Namibia’s - 257kg based on an annual consumption of 14mil mt and a population of 54.49 mil. (PPC). It is expected that the demand will increase by 2.4mil mt between 2016 and 2020 to reach between 16 and 17 mil mt (PPC). In addition to increasing domestic production, South Africa is facing stiff
competition from producers in Pakistan that reportedly sold cement 50 percent below “the price that it would have been sold for in Pakistan” (Edwards, 2014). Furthermore, substantially lower economic growth has put pressure on government revenue and the threat of a downgrading in the sovereign rating resulted in a tighter budget. This has affected construction projects that have either been postponed or cancelled altogether (South African Civil Construction Industry, 2015). Consequently, the cement industry is facing lower demand from the public sector.

Cement production capacities have expanded in other countries in the region as well: In Rwanda a 600,000 mt per annum plant has commenced production and in the Democratic Republic of Congo a 1mil mt per annum plant is expected to commence production during 2016. Furthermore, new production plants are constructed in Zimbabwe by PPC and in Zambia by Dangote. The new plant in Zimbabwe will have a capacity of 1 million mt per annum that will add to the total existing capacity in the country of 2.76 million mt per annum (Edwards, 2014). The new plant is expected to not only supply the local market with cement but also neighbouring Mozambique.

On the other hand, Botswana has a small integrated cement plant with a production capacity of 36,000 mt per annum and a grinding plant with a capacity of 400,000 mt per annum (Edwards, 2014). The country therefore depends largely on imports from South Africa and prices are higher as in the neighbouring country owing to transportation costs.

### 3.3 Domestic demand and supply

Namibia’s cement consumption stands reportedly at 600,000 metric tonnes, which equals a per-capita consumption of 260kg based on a population of 2.3 million as per the Population Projections (Namibia Statistics Agency, Namibia 2011 Population & Housing Census Main report, p.8). This is below the per-capita cement consumption of neighbouring Botswana (300 kg), but also below the current domestic production capacity of 1 million mt. Namibia was dependent on cement imports until the Ohorongo cement plant commenced production in 2012. The plant applies strict emission standards based on German emission laws and is the most thermally-efficient cement plant in Africa (Edwards, 2014). It sources iron and gypsum needed in the production process locally thereby creating backward linkages to other mining industries and saving scarce foreign currency. The design of the plant allows for the use of biomass as well as coal, which has led to the creation of a separate company that is involved in harvesting invader bush on neighbouring farms. The use of biomass therefore contributes to employment creation, increases the carrying capacity of livestock farms through the removal of bushes and reduces the dependency on the importation of coal.

Generally, cement consumption is higher in developing and emerging markets than in developed markets because of the backlog of infrastructure and housing. According to reports, the per capita consumption in the USA stood at 244kg as compared to 1,581kg in China and 1,868kg for Saudi Arabia (2012 figures see Armstrong). China, however, appears to be an outlier since even
India’s per-capita consumption stood at only 227kg. 600kg per capita consumption is often quoted as the peak due to rapid urbanisation, but consumption will drop thereafter (Edwards, 2014).

The cement consumption depends among others on the following factors: population growth, urbanisation rate, backlog in infrastructure and housing. Namibia’s population growth has slowed down over the past decades from 2.6 over the period 1991 to 2001 to 1.4 between 2001 and 2011. (Namibia Statistics Agency, Namibia 2011 Population & Housing Census Main report, p.8). It is relatively low compared to neighbouring countries and other African countries. Namibia’s population is expected to rise from 2.11 mil in 2011 to 2.28 mil in 2015 and 2.96 mil in 2030.

Urbanisation has increased from 33 to 43 percent between 2001 and 2011 (ibid.) and is projected to reach 47 percent in 2015 and 60 percent in 2030 (Namibia Statistics Agency, 2014). The rapid rise in urbanisation will increase the demand for construction material. It will not least depend on Government’s policies what kind of construction materials will benefit. So far, migrants to urban areas often ended up in informal settlements erecting shacks made mainly of corrugated iron because of the lack of financial resources. This might however change, since Government has prioritised the provision of proper, affordable houses. According to the Harambee Prosperity Plan that was launched on 21 March 2016, Government intends to build at least 10,000 low-cost houses annually in order to provide decent shelter for the population. The development of new residential areas, not only for low-cost housing, but also to address the general backlog in houses, will result in public and private sector investment into educational, health facilities as well as retail outlets closer to the costumers – to mention a few. Unless alternative construction materials are used to a larger extent, such as wood, natural stones, clay bricks, recyclable materials including recycled concrete from demolished buildings etc. the mass housing programme will result in an increase in demand for cement.

Major infrastructure projects are currently under way and further are in the pipeline. Current projects include the expansion of the Walvis Bay harbour in order to increase the container capacity and the Neckartal dam. Furthermore, work on the construction of the SADC Gateway Port north of Walvis Bay has started and will pick up over the next years, if all phases are implemented according to the original time schedule. The currently low demand for commodities and hence low prices and consequently a drop in trade might however result in adjustments to the schedule and lead to the project being stretched over a longer period of time. Other construction plans include new Government buildings such as a new Parliament, Office for the Prime Minister, new hospitals, and the renovation and upgrading of airports. However, there are indications that the timeframes of these projects and the extent of the projects are under review and might not go ahead as originally planned among others because of Government’s budgetary constraints. These adjustments will not only affect the construction industry, but building material suppliers as well. Furthermore, the prevailing water crisis in the central areas
will have a negative impact on the construction industry, if not resolved in time before water rationing measures have to be put in place.

The following table provides projections for total cement consumption based on population projections and using per-capita cement consumption such as the one reported for Botswana.

**Table 1**  
**Estimated local cement demand based on different per-capita consumption**

<table>
<thead>
<tr>
<th>Increase in per-capita consumption in % compared to current levels</th>
<th>Demand per capita</th>
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<tr>
<td>Population projection</td>
<td>260kg</td>
</tr>
<tr>
<td>2020</td>
<td>2,504,498</td>
</tr>
<tr>
<td>2025</td>
<td>2,733,338</td>
</tr>
<tr>
<td>2030</td>
<td>2,960,542</td>
</tr>
</tbody>
</table>

If the demand increases by some 23 percent to 320kg the current domestic production capacities would still be able to meet total demand in 2030. Only a per-capita cement consumption increase by some 50 percent to 400kg will result in domestic demand exceeding domestic supply. Given current imports that are not affected by the IIP import duty domestic and imported cement are likely to meet the demand over the next ten years. Furthermore, if the IIP is not extended beyond 2018 it is likely that Namibia becomes a more attractive export destination for cement producers from within the region and beyond.

### 3.4 Export opportunities

With the exception of neighbouring Botswana, all other neighbouring countries of Namibia have established cement industries and growing production capacities. As the example of Angola in 2011 has shown, when it closed its borders for the importation of cement and some other Namibian products, a number of countries implement measures to protect their domestic industries despite their membership of and commitment to the Southern African Development Community Free Trade Area. Since Botswana relies on the importation of cement, the country could serve as an export market for Namibian cement. However, the transport distance from Namibia to the main markets in Botswana are longer than from other neighbouring countries, such as South Africa. As stated earlier, the weight and low value of cement makes transportation over long distances often economically not viable unless production costs differ substantially. Namibia’s geographical location also puts the country at a disadvantage compared to more centrally located countries that could serve more population centres in their vicinity. Hence, investments in the cement industry focusing on export opportunities seems not to be an option.
4 Trade environment

The Southern African Customs Union (SACU) Agreement of 2002 allows for the implementation of Infant Industry Protection (Article 26) by member states in order to develop their industries. Industries will be classified as infant industries if they are in operation for less than eight years. Protection in the form of additional duties levied on imports irrespective of their origin can be granted for a maximum of eight years, but might be extended after approval by the SACU Council of Ministers. The protection is granted for the industry and not for specific companies. The additional duties are applied on a declining scale in order to prepare the companies for increased competition.

The Ministry of Finance has proposed additional duties on Portland cement for the period July 2012 to 2018 starting with 60 percent during the first three years. Thereafter the rates will decline at a progressive scale to reach 12 percent in 2018. One company, Jack’s Trading, importing cement from abroad is however exempted from the additional duty owing to an ongoing court case and can import cement without quantitative restrictions.

The Infant Industry Protection (IIP) protects Namibian cement producers against competition from outside the country. Since Ohorongo is currently the only cement producer in the country, the company is the only beneficiary. However, all potential new market entrants will benefit as well and could benefit beyond 2018 if the IIP is extended. If IIP is not extended, new market entrants might find it more difficult to compete with existing producers in Namibia, but especially also with producers from outside the country.

South Africa has imposed anti-dumping duties on cement imports from Pakistan of between 14 and 77 percent in 2015, which resulted in a marked reduction of cement imports from Pakistan. Other countries in the region, such as Zimbabwe, are also calling on their government to impose import duties on imports in order to protect domestic production (see for instance Dzirutwe). This is indicative of sufficient if not excess supply in the region and resulting strong competition despite relatively high transport costs.

The slowdown of global economic activities consequently resulted in declining global trade, which led to declining dry bulk freight rates (Portland Cement Association, 9 Aug. 2013, Market Intelligence). If the trend continues, it would reduce transportation costs for cement as well and could therefore increase competition on the Namibian market and other markets in the region. Overcapacities in the shipping industry and lower freight rates could result in ship demolitions and reverse the trend of falling freight rates.

5 Competition

Cement is a homogenous product produced in more or less the same way. Since there is hardly any product differentiation, except for the strength of the cement which depends on the mix of
the various inputs, competition can be strong, since one brand will easily be replaced by another brand if prices are more favourably. On the other hand, cement is a low-value, high-weight product, which results in relatively high transportation costs. This can reduce competition in regions further away from production centres. Furthermore, demand is relatively price inelastic, since cement is a necessary product in the construction industry that cannot be easily substituted on a large scale by alternative building materials. These characteristics can result in anti-competitive behaviour in the cement industry as the case of cement producers within SACU showed. The cement cartel in SACU was uncovered in 2009 (Mbungwe, Thabiso et al., 2014). The implementation of industrialisation strategies such as Infant Industry Protection could reduce competition in the short term even further since additional import duties are applied on imports from competitors. On the other hand, these strategies can help establishing new industries and hence increase competition in the medium term.

Competition on the Namibian market is limited since there is only one domestic supplier and the market is protected through Infant Industry Protection and long transport distances. The Namibia Competition Commission plays therefore an important role in ensuring that these factors do not result in the abuse of market dominance. The ownership structure of the domestic cement company that includes the Development Bank of Namibia could also act as a deterrent to exploit market dominance. The ownership structure further ensures that part of the profits can be used to further develop the country and are not repatriated, which would put further strains on Namibia’s currently tight foreign exchange reserves.

While the existence of the Namibia Competition Commission reduces the risk of an abuse of dominant market position, other institutions play an important role in creating a levelled playing field amongst competitors. The Namibia Standards Institutes is responsible for the development, implementation and application of standards, the testing of both domestically produced and imported products and provides product and process certification. One of the technical sub-committees (TC6) deals with construction, cement and concrete technologies. There is a need to increase the capacities to test products and to accredit testing centres to international organisations in order to ensure that domestically produced and imported products fulfil international standards and do not cause harm to humans and the environment alike.

6 Sustainability

Companies view business operations no longer merely under economic sustainability aspects, but increasingly under environmental and social sustainability aspects as well. The longer term economic sustainability is influenced by the social and environmental impact of the business operations. Social acceptance is often increased through Corporate Social Responsibility initiatives, such as sponsorships and donations. Application of latest technologies and international standards and norms does increase sustainability of operations.
The World Business Council for Sustainable Development (WBCSD) has established the Cement Sustainability Initiative (CSI) issued Economic and Social Impact Assessment guidelines for the cement industry. 24 major cement companies have subscribed to the CSI, two of which have operations in South Africa (WBCSD, 2012a). The current water crisis in Namibia’s central regions, in particular the Khomas region with the capital Windhoek, underlines the urgency for moving towards environmentally more sustainable production processes. It is therefore important that environmental and social impact assessments place high priority on resource-saving technologies and on locations for new industries that do not put further pressure on already scarce resources. Furthermore, new water-intensive industries are ideally established in areas with sufficient water resources. According to the WBCSD, the cement industry is responsible for five percent of all man-made carbon dioxide emissions (WBCSD, 2012b:4). The industry therefore plays an important role in reducing emissions through the application of latest technologies. While there is a trend in particular in Europe to move away from fossil fuels, in particular coal, in the production process the transition is much slower at a global scale (Edwards).

The demand for greener, more sustainable, buildings is expected to increase in Namibia that is lagging behind South Africa in terms of buildings certified as being green. This will require producers of building materials to adopt sustainable production technologies in order to meet the demand. Therefore, new investments should be in line with latest social and environmental standards in order to reduce the footprint the production process leaves in the region, country and beyond. New investments using second-hand equipment dismantled elsewhere will not contribute to the sustainability of the industry.

7 Conclusion

The cement industry has contributed to economic growth, employment creation and trade over the past five years. Imported cement has been substituted with domestically produced cement based on locally available raw materials and some produce has been exported. This has resulted in a slightly better trade balance and saved scarce foreign exchange reserves.

The market is supplied by companies - a domestic producer and an importer that is exempted from the Infant Industry Protection (IIP) duties owing to an ongoing court case. Despite over-capacities in the region, no other importers have entered the market. This could indicate that despite IIP and only two players on the market, price levels are not lucrative enough for other importers to enter the market. Otherwise, the Namibian market would have become a lucrative export destination despite the IIP. However, imports will become more competitive once the IIP ends in 2018 and the additional import duties are no longer applied. This could increase competition on the domestic market.

The current supply of cement is expected to cover even increasing domestic per-capita consumption in the medium-term. Export opportunities appear to be limited because of the increasing production capacities in the region, the characteristics of cement that usually prevents
it from being transported over long distances and because of protectionist behaviour in the region despite the commitment to regional integration and free trade agreements. Therefore, it is likely that new domestic cement producers will not open new market opportunities, but will create over-capacities and increase the competition on the existing market. Over-capacities could eventually force companies out of the market. Hence a second cement plant is not likely to increase the overall benefits of cement production to the economy in terms of contribution to GDP, to the balance of payment and to the labour market.

While additional investment in the cement industry might not result in additional economic benefits, the Namibian economy would benefit from additional domestic and foreign direct investment in other sectors in order to substitute imports and to add more value to exports.
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