



URGENT

ARAWAK CEMENT COMPANY LIMITED



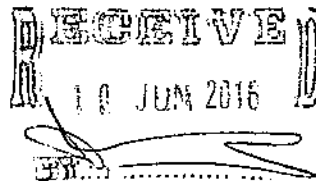
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ISO-9001:2008 ISO-14001:2004

1 June 2016

The Rt. Hon. Freundel Stuart, Q.C. M.P.
Prime Minister of Barbados
Government Headquarters
Bay Street
BRIDGETOWN



Dear Prime Minister,

RE: Request for Intervention to Prevent Subversion of CET on Imported Cement with Adverse Implications for the Arawak Cement Limited.

We extend compliments to you and the Government of Barbados, and refer to the matter at caption.

As you may have been made aware, we had earlier written to the Ministry of Industry, International Business, Commerce, and Small Business Development on April 18th, 2016 raising a number of concerns regarding the subversion of the CET on "hydraulic cement" arising from the misclassification of cement imported into Barbados from extra-regional sources. Via communication dated May 13th, 2016, the Ministry of Industry, International Business, Commerce and Small Business Development conveyed that they would examine the matter and revert to us. To date, however, Arawak Cement Limited has not been furnished with any information which convinces us that our legitimate interest, as provided for in Articles 82 and 83 of the Revised Treaty of Chaguaramas, will be safeguarded.

Our decision, therefore, to address you directly on this matter springs from the urgent imperative for action by your Government to avert the impending threat posed to Arawak Cement Limited's commercial interest by the failure of the Barbados authorities to properly classify "hydraulic cement" imported from extra-regional sources.

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Accordingly Prime Minister, we seek your intervention in light of the imminent threat to our commercial interest from yet another shipment of building/grey cement from Turkey that was scheduled to land in Barbados on June 1st, 2016. The Customs authorities have previously allowed such cement to enter, erroneously classifying it as "other hydraulic cement". Such a classification as "other hydraulic cement" allows for a lower CET rate of 5% to be imposed, rather than the proper CET rate of 15% established by the COTED for "hydraulic cement" produced within the Community. Importantly, COTED has also classified this "hydraulic cement" product as being "*ineligible for duty exemption*".

Arawak Cement Limited hereby affirms that based on the chemical composition, international classification and end-use, the cement which has hitherto been misclassified as "other hydraulic cement" is the same as the regionally produced cement which the COTED established as being ineligible for duty exemption.

Honourable Prime Minister, we believe that your Government would wish to support Arawak Cement Limited as an important pillar of, and long serving contributor to, the Barbadian economy, culture and society. Our manufacturing facility produces 252,000 MT, and accounts for over 150 direct jobs, with additional indirect employment of another 55 persons. Our products are distributed by 72 entities which on average account for another 300 jobs. Annual exports exceed US \$19 million, created partly from the transformation of raw materials imports of US \$6.3 million. As you are no doubt aware, these statistics rank Arawak Cement Limited among the highest net foreign exchange generators and the most significant manufacturing entity in the Country.

We wish, Prime Minister, to draw your attention to the fact that our Company's contribution to economic activity is equally impressive, accounting for domestic purchases (excluding wages and salaries) of BDS \$16.0 million; when wages and salaries are included, domestic purchases amounts to BDS \$29.6 million. The fiscal contribution, through personal income taxes, withholding taxes and other imposts, exceeds BDS \$3.0 million per annum.

Arawak's capital expenditure for 2016/2017 is projected at BDS \$10.0 million and our Company has maintained steady expenditures on marketing and promotion and customer service relations.

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Prime Minister of Barbados

RE: Request for Intervention to Prevent Subversion of CET on Imported Cement with Adverse Implications for the Arawak Cement Limited.

Honorable Prime Minister, as you are aware Arawak Cement Limited has embarked on fundamental structural changes to our operations which have evidenced a renewed commitment to plant and operational efficiency and customer satisfaction. These changes have necessitated massive investment in the Company led by our new management team, our dedicated employees, and committed Shareholders. Undeniably, price competitiveness and sustainability will continue to be drivers of the multi-million dollar investments being embarked upon by the Company over the coming years. Indeed, the benefits of these investments have already begun to be passed onto the end users of our products in Barbados, and cement prices have already declined appreciably over the past year. However, while much has been achieved there is still quite a bit of work to be done in entrenching these structural changes. Such changes will be critical to Arawak Cement Limited's achievement of the export targets established for existing and new hemispheric markets, committed to in the Company's strategic plan.

Prime Minister, Arawak's bold investment decisions were predicated on the stability, predictability and certainty of the regional trade regime, emanating from the decision of the COTED, which demarcated cement as a product ineligible for duty exemption. The subversion of the COTED-mandated rate is a cause of major concern for our Company, not solely for the obvious reason that it disturbs the sanctity of the regional trade regime, and decisions of key organs of our Community; but also because it unfairly impacts on the far reaching structural transformation process ongoing at Arawak Cement Limited, with deleterious implications for our commercial interest.

Further Prime Minister, we seek your intervention in ensuring that the domestic competitive landscape discourages unfair and discriminatory trading practices, and engenders market contestability in full conformity with norms, standards and regulations attaching to cement and cement trade. As we confront a difficult and uncertain global environment, these policy and regulatory imperatives will remain central in providing companies such as Arawak Cement Limited with the certitude that Barbados must remain the natural domicile for our manufacturing operations for years to come. Should these imperatives prove elusive, our Company will confront a future fraught with immutable uncertainties.

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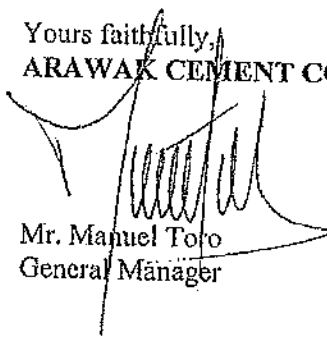
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Honourable Prime Minister, Arawak Cement Limited remains convinced that our operation best exemplifies your Government's aspirations for Barbadian manufacturing. However, there can be no denying that without the intervention of your Government in enforcing the COTED- approved CET regime, many of the hard earned gains at Arawak Cement Limited stand in imminent danger of being reversed. Accordingly, we urge your intervention in safeguarding employment, economic activity, exports, regional innovation, and regional enterprise at a most trying time for virtually all our regional economies. Above all, Prime Minister, we write appealing to your sense of justice in ensuring that ours continues to be a society and community guided by the steady rule of law, in this instance the steady rule of community law.

We anticipate your concerted action on the matter raised herein and stand ready to provide any further information which you may require.

Yours faithfully,
ARAWAK CEMENT COMPANY LIMITED



Mr. Manuel Toro
General Manager

CC: Mr. Donville Inniss, Minister of Industry, International Business
Commerce & Small Business Development