

# CEPI Brief N° 6

## *Strategic positioning study of the marble branch*

### **FOREWORD**

The marble branch comprises products that are made from ornamental stone, and which are used in construction, interior and exterior decoration and urban development. Considered as a noble product, marble is classified in 4 categories: crystalline marble, limestone marble, granite, polished dull stone, and **Travertine**.

### **NATIONAL SITUATION**

The branch counts 215 units, representing one third of all enterprises of the Building Materials, Ceramics and Glass Industrial sector (BMCV) and employs some 2300 persons. The branch is composed of three types of distinct activities: extraction of marble blocks, industrial machining and working, which regroups close to two-thirds of the enterprises of the branch.

Production rose from 58 MTND in 1996 to over 63 MTND in 1998 with average value-added of 30 %.

While imports increased from 9.3 MTND in 1996 to 10.1 MTND in 1998, recording an annual average increase of 5 %, exports have advanced over 50 % per annum, rising from 2.3 MTND in 1996 to 5.3 MTND in 1998.

In Tunisia, consumption is on the order of 30 million m<sup>2</sup>, representing 0.55 % of world consumption and a national average of over 3 m<sup>2</sup> per inhabitant.

The market is shared between cement tiles, ceramic tiles, sandstone tiles and marble tiles. The majority of marble quarries are located in the North West and central western Tunisia.

### **INTERNATIONAL SITUATION**

World production of marble has increased from 46 million tons in 1996 to 51 million tons in 1998, for average annual growth of 6%.

The world market for flooring and wall coverings is estimated at 5.5 billion m<sup>2</sup> per annum; representing an international average of around 1 m<sup>2</sup> per

inhabitant. Marble production is dominated by 4 countries that account for almost half of world production of marble and decorative stone. Italy and China are the world leaders each representing 16% of world production in 1998. Spain is third ranking with 9% of world production, followed by India in fourth ranking position with 8% of world production. The other marble producing countries of the world represent the remaining other half of world marble production.

Five countries represent together 57 % of world marble exports: Italy (20%), China (16%), India (10%), Spain (6%) and Portugal (5%).

Thanks to good neighbor relations and close economic relations with Italy, Tunisia transits via Italy to export the majority of Tunisian marble production.

The major net importers of marble include in order of importance : Germany, Japan and Taiwan which import together over 4 million tons, followed by the USA, the Benelux countries, Hong Kong, France, Switzerland and Saudi Arabia which import over one million tons.

### **INTERNATIONAL COMPARISON**

A benchmarking comparative study of 16 parameters of the branch in Tunisia vis-à-vis a the reference group composed of Italy, Spain, France, and Germany has resulted in the following observations:

- Tunisian legislation has strongly curbed imports of ornamental stone so that at the national level the marble extraction and marble works industry can be developed;
- The average selling price fluctuates from one enterprise to another. The difference in price vis-à-vis European industrialists will reduce as a result of the dismantlement of tariffs;
- At the end of the dismantlement period, it can be expected that imported white marble will be sold in Tunisia for around 27 DT for m<sup>2</sup>, not including taxes and sales margins, in other words at slightly less than 22 Euros, almost at the same price as quality Tunisian marble.
- It will most likely continue at this same level for a number of years as has been the tradition for

many years until its predictable decline as has been the case for developed countries. During this period, Tunisian industries of the branch should have matured and acquired know-how in exporting allowing them to export finished marble products to the European, American and Arab markets.

- Commercial quality Tunisian marble will be competing with certain other material such as ceramic tiles, sandstone tiles from the bottom and white marble from the top;
- The Tunisian enterprise is characterized by overstaffing and employees that are not very qualified. The Tunisian worker is six times less productive than the European marble worker. Furthermore, training, a lucrative and motivating niche, is little exploited, despite incentives accorded under Tunisian legislation.
- Despite heavy investment in automation, the European labor costs per m<sup>2</sup>, remains limited, and paradoxically lower than related Tunisian labor costs. For example the labor cost at an Italian marble enterprise is around 4.6 TND/m<sup>2</sup> while at a Tunisian marble unit the labor cost is around 5.5 TND/m<sup>2</sup>.
- In Tunisia the equipment is often dilapidated and the average productivity per employee lags far behind than in Italy (2096 m<sup>2</sup>), France (1593 m<sup>2</sup>) and in Spain (1394 m<sup>2</sup>);
- Standards and norms are all but absent in Tunisia while in the reference countries they are obligatory.

## **OBJECTIVES 2005-2010**

Considering the growth in consumption of marble in Tunisia and in the world, it is necessary to improve the Tunisian product offer and to augment the national production capacity to 1.3 million m<sup>2</sup> by 2006.

Additional capacity needed to reach 1.300.000 m<sup>2</sup> will require an estimated 30 million dinars in investment in the acquisition of new equipment.

The overall investment in modernization actions is estimated at around 150,000 dinars per enterprise. If industrial units and a third of marble working units, representing a total of some 70 enterprises, implement their modernization plans through to 2007, overall material investment would be on the order of around 40 million dinars and immaterial investment 10 million dinars, of which a third is investment in professional training for the personnel of the branch. This amount does not include quarries.

## **LUCRATIVE NICHES AND MARKETS**

In terms of Tunisia, even though the country's position on the international market is weak, its foreign trade has begun to become quite appreciable. Tunisia is the third ranking exporter in Africa after South Africa and Egypt.

If the penetration and prospecting of the Taiwan and Hong Kong markets is difficult due to the fact that China a marble producing country is their neighbor, greater efforts must be made to gain market share in all other countries, with actions targeted to the specificities of each country.

## **ACTIONS TO UNDERTAKE**

### **➤ Actions within the enterprises**

- Marble industries and marble working units need to strengthen their competitiveness by obtaining sufficient financial resources in order to realize necessary investment;
- recruitment of personnel capable of assimilating new technologies;
- enterprises need to open more to the exterior by realizing partnership operations;
- reinforce the distribution network.

### **➤ Institutional Measures**

Legislation needs to be oriented towards simplified procedures, clarification of taxation in terms of an alignment with European legislation, the encouragement of the importation of quality marble blocks and rigorous controls for entry into Tunisia.

### **➤ Promotional Actions**

The fund for the Access of Export Markets (FAMEX) contributes, within the framework of exporting incentives, to engage in promotional actions destined to reinforce current actual exports of marble products and the discovery of new niches and new horizons.

### **➤ Enterprise creation and partnership**

The study resulted in the identification of :

- one project dossier to promote;
- a list of Italian partners to prospect.