

Head of Construction
Sita UK
Sita House
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15th February 2010

For the attention of Mr D Buckle

Dear David

Re; Waste to Energy Project, Cornwall

Please find below our comments on your query relating to the number of people employed at Trelavour Works, and also the effect the Waste to Energy Project would have on this company.

Although only approximately twenty eight people are employed specifically at Trelavour Driers, this unit is an integral part of our total process plant in which some one hundred and seventy people are employed when at full capacity. No one section of our continuous process could operate without the total, so while it is perfectly true to say that any benefit from reduced energy costs would help to safeguard the jobs of the twenty eight people at Trelavour, this statement does not reflect the whole picture. Reduced energy costs at Trelavour would make the whole of our operation more efficient and hence help to safeguard all of our employees.

The kaolin industry has gone through very turbulent times, with costs pressures on one hand, and also pressure to reduce prices from our customers, who are also under severe commercial pressures. Energy is a very significant part of our costs, being the third largest cost centre after labour and distribution costs. Energy accounts for some 24% of our on-site costs. In recent years the fluctuations, by which I really mean vast increases, in energy costs has had a significant impact upon our profitability, and it would be totally accurate to say that a continuation in the escalation of energy costs would certainly have questioned the long term viability of our business. Anything that can be done to reduce our energy costs, either through unit cost reductions or efficiency savings, would certainly assist in helping to safeguard the long term future of the business. The agreement for the heat from the incinerator to replace gas at Trelavour would definitely reduce the unit cost of energy in our drying plant.

The effects of the recession have been very severe within our industry. During the past year we have reduced overall numbers of people employed, although in general this has been through retirements, as we have adopted a policy of maintaining our workforce intact to preserve its skills and experience. Our strategy has been to “batten down the hatches” and be ready to respond to increased future demand, which we hope will be in the not to distant future, although we do not expect 2010 to be any better than last year financially. This strategy is in line with our commitment to maintaining clay extraction in Cornwall for the long term.

Commercially the recession will have a long term impact on our profitability as our customers seek to reduce prices in order to survive themselves. Anything that we can do to reduce our costs will assist in ensuring the long term future of Goonvean Limited. The provision of a sustainable source of heat for our drying plant at Trelavour at reduced cost is even more vital now than when the project was first proposed.

Energy prices may have reduced somewhat from the excessively high levels of two years ago, but uncertainly of supply will certainly push energy prices up again in the coming years. A reliable and cost effective source of heat energy, and possibly electricity, from the Waste to Energy Project would help to protect this company from the effects of future energy price inflation, thereby helping to safeguard the long term future of Goonvean and all of its employees.

Yours sincerely

Andrew McGowan
Managing Director