

An enterprising career

The *Business Times* recently dropped in on AX Holdings Chairman, renowned entrepreneur **Angelo Xuereb**. Mr Xuereb spoke to DAVID LINDSAY on a wide range of topics including his proposed and controversial *Tal-Virtu* golf course, his stint as Naxxar mayor, his listing on the Malta Stock Exchange and about other current and future projects

How did you start off in business?

I started off 25 years ago from very modest beginnings. In fact, we're celebrating our 25th anniversary this year. My first contract was of some Lm200, laying curbs along a pavement in Balzan, employing just two workers. I remember how at the time I didn't have enough money to pay them for more than two weeks at a stretch but I was very determined to be successful, I think that construction was in my blood and I wanted to make a name for myself.

That was the beginning. After that I continued in construction with different contracts and, after ten years, we diversified into the tourism sector with our first hotel, the Sunny Coast Holiday Complex. At the time, I think people were wondering 'Who's Angelo Xuereb, who's building this development?'

In the same year we opened a quarry and a concrete batching

plant - diversifying further in the construction sector. I then opened a pre-cast concrete factory in Naxxar then three years later we built the largest hotel on the island - The Suncrest. We then developed the Capua Hospital with the latest state of the art equipment. A year later we opened The Victoria Hotel, then we bought Alexandra Gardens, which will form an extension to The Victoria Hotel. The Verdala Hotel and The Duke of Edinburgh Hotel in Gozo were our next acquisitions. Recently we were the promoters and 25 per cent shareholders of VISET p.l.c, which will be responsible for the development of the Valletta Sea Passenger Terminal.

What is the basis of your special attachment to Naxxar?

Of course, I was Naxxar's mayor for six years. I was born there and just about live there. My residence is in Mosta, but that's an old story.

I love my village and of course I

wanted to contribute something to my birthplace through my knowledge of conducting business.

Do you plan on getting back into local council politics again?

I don't exclude it. I think that up to now I have proved myself, people were happy, there was satisfaction all around. I took it as a hobby and of course I had personal satisfaction when I saw that the residents were happy with what I was doing. The second time around I had a landslide victory but the third time I had to decline running in the elections, despite various requests for me to do so, as I was far too busy at the time.

What are your comments on The Verdala Mansions project?

From my point of view, we're filling a void in the local market. I've seen quite a number of real estate developments in Malta but I couldn't find one property that made me think 'Ah, this is fantastic,

upmarket and is suited for the extraordinary lifestyle.'

I believe that we will be filling that void, The Verdala Mansions will definitely be the most luxurious residences in Malta. They will comprise comfort, luxury, space, serenity, security - and much more. Apart from the actual residences, which are very big - at an average of 270 square metres - we are paying a lot of attention to the common areas.

For example, you normally don't find a foyer in a block of apartments, such as that usually found in the main entrance to a hotel, but why not have one leading to your home? Why should you, if you are dropping off friends, have them get wet if it's raining, or get hot in the summer?

Even the lifts have marble flooring, in fact, the lifts can take up to 13 passengers. Normally in exclusive flats the architects squeeze every inch out of the space available and residents end up with a small lift, a small staircase, small hallways, etc - we have paid particular attention to these details.

A two car lock-up garage, as opposed to open space garages, is included in the price of properties. The class of people we are attracting to the development want security, as they probably have expensive cars.

On the roof, instead of implementing a traditional flat roof, which residents normally use to dry their laundry, we will transform this useful space into a roof garden with four Jacuzzis and sun beds surrounded with natural plants.

We will create a semi-tropical area, not only on the roof, but also around the whole development, hopefully with the golf course as well. We'll have a complete semi-tropical environment, something that the whole of Malta is lacking.

Apart from that, there are also the facilities. Having a five star hotel next door, there will be a lagoon-type pool, instead of the usual shape. It will be like swimming in a lake, with palm trees and the whole lot.

Additionally, there will be an indoor heated pool and a spa. A five-year membership to the facilities is included in the price of the properties.

Residents will be living in a residence whereby they'll have all these facilities next door, plus they'll have the opportunity when throwing a party to make use of the hotel's menu and the hotel's staff to serve them.

Terraces are a minimum of 22 square metres, they range from 22 to 90 square metres for each apartment, meaning that dinner can be served for between 20 and 80 people on one terrace alone.

With the hoped-for addition of the golf course, residents can also consider the whole golf course as their jogging track.

How have sales been progressing so far?

To date, we've sold five and the sixth is about to close, we've

received very good interest so far, well-demonstrated by the fact that we're also currently in discussions with ten other potential clients.

In fact, as far as the corner properties are concerned, the most expensive of the lot, there is only one left. There is obviously a demand for such a development. While the corner apartments are priced at Lm350,000, the others average at Lm240,000 while the penthouses range between Lm500,000 to Lm600,000, one of which I have already sold and another of which I will be retaining for myself.

Are you registering more interest from the local or foreign market?

There has been good interest from both markets, even though we've just started marketing on the foreign front. The main thrust of marketing is being seen through by the estate agents - such as Frank Salt, Dhalia, Perry, etc. - who have already started marketing.

When do you expect the development to be completed?

By October next year we will have completely finished off the shell form and spring 2002 will see the project's final completion.

You mentioned at a recent press conference that you would soon be acquiring permission for the proposed golf course, could you elaborate?

We have now presented our Environmental Impact Assessment to the Planning Authority, which comprises some 3,000 pages and is the culmination of 12 month's work.

We appointed one of the top international consultants specialising in golf course EIAs, who, in turn, appointed a local firm to assist them. Furthermore, we have also appointed 15 local consultants specialised in varying areas such as agriculture, ecology, economical impact, social impact, traffic, noise pollution, water irrigation etc. I'm happy with the results, as a very thorough study has emerged.

Our international consultants, who have carried out a substantial number of similar studies, have commented that this is one of the most exhaustive terms of reference that they have ever come across. Of course, I don't blame the Planning Authority, as they had explained to me that they had never had to approve the setting up of a golf course in Malta. Accordingly, whatever they could think of was jotted down in the terms of reference.

How do you reply to criticisms from environmental organisations over the golf course?

I have met with a number of them and, unfortunately, they don't know the facts and just fire figures and statements out of the blue - without any concrete facts to back them up. The latest that I heard was that



Photos by Pippa Zammit Cutajar

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the course would consume an amount of water that could support 200,000 people. These people must be joking as, if this were actually the case, I should not even be given a permit.

We will demonstrate with our water casement in that area, which at the moment is draining into the sea, that we can collect enough water over the winter to support the course's needs throughout the dry summer months.

We don't need excess water in winter and in summer we will use what we have trapped over the other seasons to meet our need during the summer months. We have identified an old quarry in the vicinity that we could easily line and utilise as a reservoir. Apart from that, we have also made arrangements with the Water Services Corporation for them to supply us with water in case of an emergency such as a draught, at commercial prices.

In terms of ecology, we have proven over and over that we will not destroy the area's topography. In fact we will be retaining its features, rubble walls and all. In addition to taking special care of all the flora and fauna, we will actually be encouraging its further development. Additionally, the course will be a haven for bird life.

As far as the farmers are concerned, we are guaranteeing that they will be receiving no less than what they are getting today, most likely even without carrying out any labour. With what we are offering them in terms of financial compensation, if deposited in the bank, they would receive more money than they are at the moment without risk or labour. We will also give them vineyards comprising an area of one third of the entire golf course, an area which has been earmarked for cultivation by the existing farmers. With this one third, they will reap more profits than what they are getting today. The farmers are being completely accommodated and no farmer can say that he is losing his land or livelihood.

While many NGOs state that there are 150 farmers working the area, this figure is simply not true. There are, in fact, 90 farmers

altogether and no single farmer is full time on that particular land.

Furthermore, we have the history of each field up to five years ago - what they have been producing, where the market stood at the time and accordingly how much they sold their produce for. We will provide them with the roots for the vines, the training, the water and the irrigation system. All they will need to do is trim the vines, plough the soil once or twice a year and collect the harvest when ready.

Up to now I have remained silent when the project has been criticised, as I was waiting for all the studies to be finalised. Now, however, that the studies have been completed and I have all the information in hand, I am ready to sit down and talk things through - facts in hand.

We have to understand that this golf course is not just for the Verdala Hotel, it's for the Maltese tourism industry as well. In other countries, a government would step in and build the golf course themselves, leasing it back to the hoteliers or developers. Governments would do this because they know that golf courses attract more conferences and incentive groups as well as the good quality type of tourist and the frustratingly evasive winter tourist market, as many golf courses close down in Europe during the winter due to snowfall or flooding. Malta, being only an hour and a half away from many European capitals, stands to benefit enormously from golf-oriented tourism.

When you look back, what do you see as your main achievements?

Throughout my life, I have always had a determination for success. I would say that building The Suncrest has given me the most satisfaction. Not just because of its sheer size, but because of the timing in which the project was completed, despite various hurdles.

I knew that I could have finished the hotel in one year, but the amount of bureaucracy and obstacles were unimaginable. At times I felt like I was a criminal for investing my money to build a hotel and, at the time, there were so few investments from the private sector.

I planned to build The Suncrest in 12 months and actually, despite all the hurdles, I managed in 13 months. For six months of that year I was carrying out the project's management by myself, I hardly had time to have a sandwich for lunch.

But now, with an investment of over Lm20 million, I would say that the Verdala project as a whole would be my biggest challenge to date.

If you had to start all over again, what would you do differently?

The honest truth is that I wouldn't mind going back and



doing it all over again. There is always frustration as an entrepreneur. As such, it's always difficult to transmit your particular vision to the top people, whether they be from financial institutions, the Planning Authority, or the government. Trying to convince them that my ideas are legitimate and to have trust in them is the biggest source of frustration in this business.

What about the Suncrest share option, what are your comments?

I was the first to list a private company on the Malta Stock Exchange and we were also the first leisure company to do so. Today, the shares are so undervalued that, if it were possible, I would buy them back. They are undervalued but they hold so much more value than many others.

We considered the stock as a long-term investment and didn't expect returns over the first years. When investing in brick and mortar, you need to allow some time for capital appreciation. How on earth can you compare the return from the operations of a hotel with the return from a bank's operations? With a bank you have a guaranteed income, with telecommunications you have so much cash flowing in - you simply cannot compare like for like in relation to operations.

Eventually, there will be a good return and I see very good prospects for The Suncrest shareholders in the coming years. Remember that The Suncrest shareholders also have a 15 per cent shareholding in the Verdala and Victoria Hotels. The Victoria has now started bringing in returns, after the initial first few

years during which large returns were not expected.

During these five and a half years that you've been waiting for the Verdala permit, was there any point in time when you thought about giving up?

I never give up if I've got something good - that's embedded in my character. I remember when I had had so many hardships over the Capua Hospital, all the nonsense, the meetings organised against my application. I persisted in the face of all the public outcry and now those protesters have absolutely nothing to complain about. In fact, now they compliment me for the fine building that I have developed.

I'm used to this type of criticism but I never give up. I'll always keep on fighting as long as I know that I'm right. However, once I know that I'm in the wrong, then I'll give in. I have always been a big believer in unity and teamwork and, accordingly, sometimes you do need to give and take.

We have been waiting for a permit for the Verdala project for over five and a half years and we have been paying its 78 employees this whole time - just to keep them on. While I did use them in the other hotels, the amount of staffing is over and above what I needed for their running and upkeep. Despite having to keep paying interest on the capital and various opportunity costs, I still did not give up because I felt that I was on to something good.

What is the status of the Excelsior Project?

I am only the contractor in this particular project. God forbid if I was the owner. I had brought the present owners over to Malta and convinced them to invest here. Unfortunately, they are 10,000 miles away and the momentum of this project has been hindered by this distance.

What about the Lm200 million Albania Project?

It is currently on hold, and thank God I have not lost too much money on it, only a lot of time. I've been back and forth for more than three years. I've had a lot of studies commissioned and I'm lucky that I had not started work physically, or I would have lost everything. However, I did learn many valuable lessons from the exercise.

What are your views on how the local construction industry could be improved?

You've opened an immense subject here, but in brief, I think that there is a lot to be done, especially in terms of quality.

We must implement classifications for contractors, currently, even if one were to sell peanuts in the street, they need a licence but one doesn't need any qualifications to work as a contractor.

When quality contractors are beaten out by the inexperienced, due to the low prices they feel capable of handling, the quality and timing of projects suffer. Just take a look at what's happening on some government projects at the moment. I always say that cheap is expensive in the long run.

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