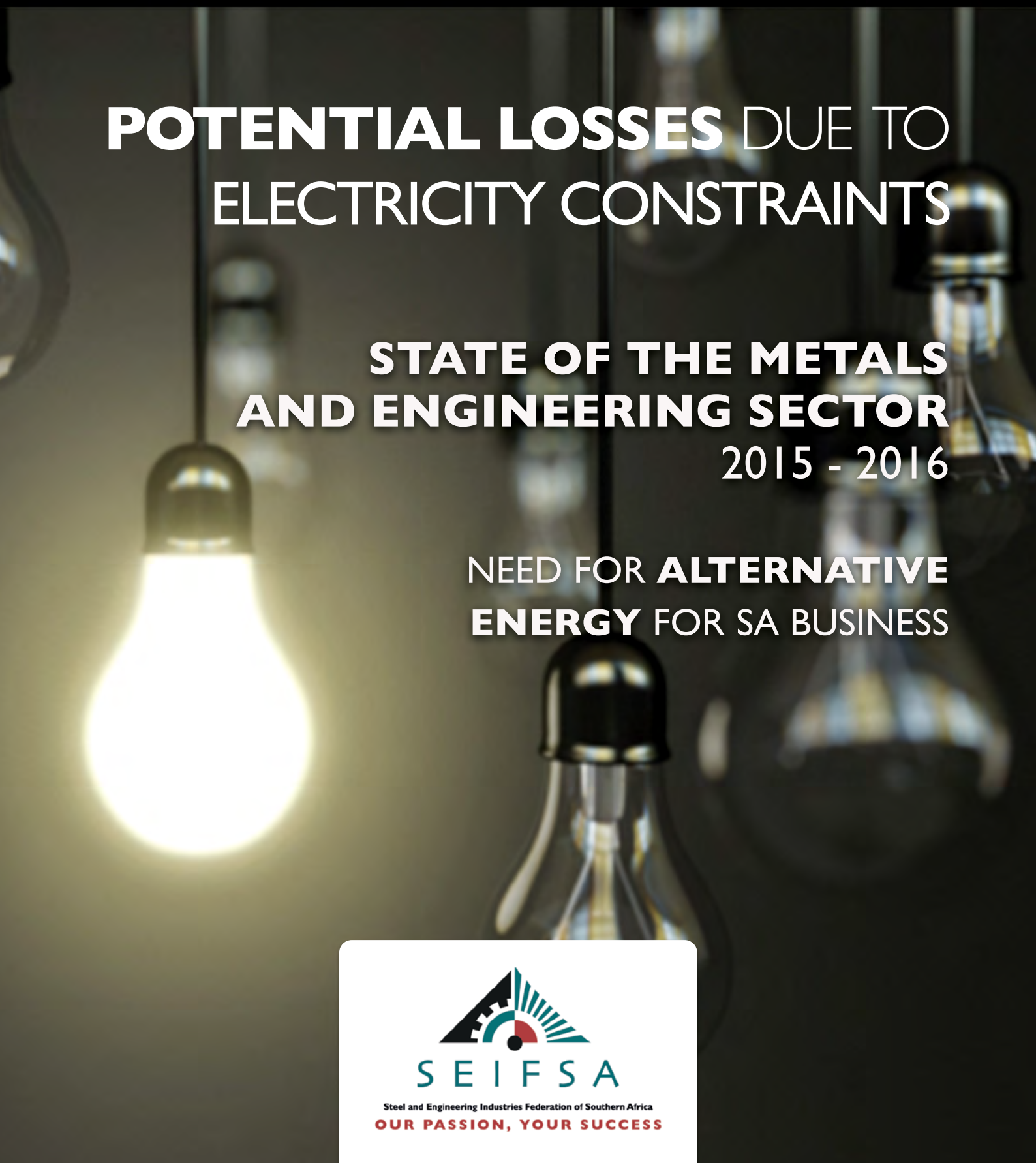
SEIFSA NEWS

MARCH 2015

POTENTIAL LOSSES DUE TO ELECTRICITY CONSTRAINTS

STATE OF THE METALS AND ENGINEERING SECTOR 2015 - 2016

NEED FOR ALTERNATIVE ENERGY FOR SA BUSINESS



SEIFSA
Steel and Engineering Industries Federation of Southern Africa
OUR PASSION, YOUR SUCCESS

CONTENTS

Publisher
Steel and Engineering Industries Federation of Southern Africa (SEIFSA)

Advertising
Kristen Botha
kristen@seifsa.co.za
(011) 298-9455

Editorial Enquiries
Prisha Marais
Tel: (011) 298-9436 | Fax: (011) 298-9536
E-mail: prisha@seifsa.co.za
PO Box 1338
Johannesburg, 2000

ISSN - 1560 - 9049

Circulation:
3 300 (Not certified)

Advertorials
When a company logo appears with an article, it indicates that the article has been commissioned by the company.

SEIFSA News is an exclusive membership benefit.

SEIFSA News is distributed free of charge to all members in the metal and engineering industry. It is also available on an annual subscription basis to members requiring more than one copy.

11 issues published annually.

Members – 1 free issue
Additional copies – R21.00 per issue (incl VAT)
Non-members – R215.00 per annum (incl VAT)

Prices valid from 1 July 2014 until 30 June 2015.

Subscriptions
July Malakoane
Tel: (011) 298-9418
E-mail: july@seifsa.co.za

FROM THE CHIEF EXECUTIVE OFFICER'S DESK

On Tuesday, 24 February we hosted a briefing session at the Johannesburg Country Club on the state of the metals and engineering sector in 2014 and the likely scenario in 2015-16. We used the occasion to launch our State of the Metals and Engineering Sector 2015-2016, an impressive, must-read report compiled by our Economist, Taffie Chibanguza, and our Chief Economist, Henk Langenhoven.

At the same session, we also looked at the likely political situation in the country over the next 18 months and received briefings from labour analyst John Brand and futurist and scenario planner Clem Sunter respectively on the future of collective bargaining and on international and national labour scenarios. We arranged this session in order to expose our members and those interested in the sector to different views on likely developments over the next 18 months.

On the political front, we can sum the situation up in one sentence: the road ahead will be very bumpy, characterized by more pronounced political and racial divisions, continuing ruptures within the ANC-led tripartite alliance and more violent protests in a number of townships across the country. The business community will find itself under inordinate pressure to be part of the "radical transformation" agenda and to partner with the Government in addressing socio-economic challenges on the ground.

Like most South Africans, one found the spectacle that unfolded in Parliament on 12 February on the occasion of the State of the Nation Address unedifying and most embarrassing. Unfortunately, however, we are likely to see more drama of that nature in the two Houses of Parliament and in different Legislatures across the country. As the Economic Freedom Fighters (EFF) continue to challenge the governing party and take the fight to it and President Jacob Zuma, tempers will soar and a possibility exists that the situation may even deteriorate to a level where violence occurs both inside and outside our hallowed legislative chambers.

The truth is that the ANC, which the President has said will rule "until Jesus Christ comes back", is unaccustomed to being challenged. Until last year it was able to do very much as it pleased in Parliament and in the eight provincial Legislatures that it controls, secure in the knowledge that it had a big majority which made it possible for it simply to ignore the opposition. That is no longer the case, thanks to the presence in our legislatures of the confrontational and ultra-vocal EFF whose leaders honed their skills while they were still part of the ANC.

There is a good chance that, in the end, the EFF will conduct itself within the established Parliamentary rules, but there is no doubt at all that its style will continue to be loud, combative and even confrontational, with its primary target being the vulnerable President Zuma. As a result, the Democratic Alliance will have no choice but to be confrontational itself, strictly within the rules of our various legislatures, if only to avoid being out-manoeuvred and out-performed by the smaller EFF.

This means that the governing ANC will be watched like a hawk and its leaders – starting with the President – fully held to account, as all governing parties should be. Given the fact that the ANC is not accustomed to being accountable to the opposition, the situation is certain to

upset and frustrate the organisation and verbal insults are likely to be flung to and from across our legislative chambers. The National Assembly, the National Council of Provinces and the Provincial Legislatures are set to be livelier and more interesting for the disinterested observer as they finally perform the task that they are meant to perform, much to the annoyance of the ANC and its allies.

Of necessity, the situation will require a higher degree of skill, better temperament and even more political maturity on the part of the Presiding Officers if proceedings are to be reasonably smooth. Regrettably, judging by developments in the National Assembly last year and in the past two weeks and in the Gauteng Legislature last year, these qualities would appear to be sorely lacking on the part our Presiding Officers, who are woefully wanting when it comes to fairness or even-handedness. The situation, then, appears ripe for on-going conflict.

With the local government elections scheduled to take place next year, the situation will get even worse since parties in Parliament and in our various legislatures will do everything with an eye on the 2016 elections. They will each be putting a show for the electorate, hoping that their radical rhetoric will win them votes among the progressively disillusioned poor in the country's townships.

The fact is that the ANC has never been more vulnerable than it is at the moment. Indeed, in some cities it appears ready for the taking. In addition to widespread corruption and internal fights, by far its biggest liability is its leader, President Jacob Gedleyihlekisa Zuma. For a variety of reasons, his star has fallen considerably in recent years.

The big prize in the 2016 local government elections will be the Nelson Mandela Bay Municipality in Port Elizabeth, the Tshwane Metropolitan Municipality, the Ekurhuleni Metropolitan Municipality and the Johannesburg Metropolitan Municipality, anyone of which may fall to the opposition and be governed through a coalition. The ANC in Gauteng is alive to this possibility, hence its growing outspokenness on the urban tolling issue which is nothing short of an albatross around the ANC's neck.

In summary, then, politically 2015 and 2016 will be very unstable years during which our racial and political divisions will be accentuated. Instead of leadership that will keep us all within one big tent, leaders of the different political parties will see us torn asunder and pulled in different directions, all in pursuit of their respective parties' interests rather than the interests of South Africa Incorporated. As I said earlier, their eyes will be firmly on the 2016 local government elections.

Needless to say, this will not ingratiate us with the foreign investment community. We are most unlikely, therefore, to see the trickle of foreign investment become a flood.

How should the business community respond? There are those, like the Afrikaner Handels Instituut, who take the view that the business community should enter the fray and take the Government head on. Personally, I do not share that view. I think that it has the potential to worsen rather than to heal the divisions that already exist between the Government and the business community.

Instead, I think that the business community should, indeed, speak out, but not on public platforms as if to shame the governing party. In my view, business should be better organised and engage actively with the Government, behind closed doors, in order to lobby for a business-friendly dispensation.

We need to make the Government realise that, without a thriving business community, South Africa cannot realise its full potential, let alone prosper. We need to offer our services or assistance to the Government – locally, provincially and nationally – as partners who want what is good for South Africa, and not as opponents or enemies advancing an agenda not dissimilar to that advanced by political opponents.

Finally, the business community needs to understand the growing impatience on the part of the poor, the vast majority of whom remain black, and enthusiastically embrace and implement transformation. That is fundamentally in the country's interests and in business's own long-term interests. Failure to do so will make business a wonderful scapegoat for the Government's inability radically to change the lives of the poor majority.

Kaizer M. Nyatsumba
Chief Executive Officer

POTENTIAL LOSSES DUE TO ELECTRICITY CONSTRAINTS

Due to Eskom's load shedding process, a number of industries have been hit hard resulting in huge losses.

The metals and engineering sector is defined here as the following:

- Basic ferrous
- Non ferrous
- Metal products
- Machinery and equipment
- Electrical machinery and equipment

The total production for 2014 is estimated to be R320 billion and value added to the economy is R84 billion.

The following assumptions were made to arrive at a monthly cost estimate of electricity shortages:

- The actual production indices and sectoral national accounts published by Statistics South Africa have been used (latest September, estimated for November 2014), converted to actual 2014 Rand values.
- The metals and engineering sector is an electricity intensive sector and is therefore assumed to be governed by the demand management programme of Eskom and therefore expected to save 10% of its electricity use, on average.
- We assumed a two hour blackout every day, for a month.
- We differentiated between continuous operations and a 12 hour production. The basic metals and the non-ferrous industries are 24 hour operations and would therefore statistically experience a less severe impact (2 / 24) = 8,3% vs (2 / 12) = 16,6% reduction in output. The other three industries would therefore experience more of an impact, as stated above. (This assumption may be unrealistic and the impact of production losses may be the exact opposite and much more severe.)
- Only production losses were taken into account; the amortised costs of the installation of standby facilities were not, nor any other losses. The multiplier effect is also not taken into account,

due to the fact that all sectors will experience the shortages during any given day. The losses due to damaged electronic management and control systems are already running into millions of Rands.

- The most severe potential loss, not estimated at all, is the loss of markets due to production uncertainties. Exports constitute 60% of production and imports have captured a similar share of the domestic market. Markets lost due to non-performance may never be regained.
- The perception is created that these shortages will continue for years. The resumption of gross fixed investment in the sector, and therefore faster growth is unlikely. Looking at other data sources, the estimates are that close to 20% of the gross fixed investment went to energy efficiency programmes and therefore not to production capacity expansion. We know that allowances for depreciation (spending on maintenance etc) amounts to about 20% of investment annually, so this problem has serious implications for long term growth. Instead of 80% of investment going into new capacity (net investment) only 60% is going there now (assuming that maintenance takes place).
- We assumed that actual production indices published by Statistics SA already include the production losses due to electricity shortages. The task was therefore reduced to estimating the potential production, if neither demand management nor blackouts were prevalent and calculating the difference between potential and actual production.

It is estimated that the sector produced R26,5 billion worth of turnover in November 2014 and added about R7 billion to the South African economy. Without the constraints, taking the above assumptions into account, it is estimated that R 6 billion worth of output have been lost and R1,5 billion in value added. These figures amount to a 23% loss of production and value add respectively, to the economy. These estimates may be very conservative.

One has to assume that such losses would occur over time, if the situation persists. Apart from different implications for each sub industry depending on its production processes (which we tried to estimate above), leads and lags in terms of production times, contract delivery schedules and stock levels, the implications are quite dire.

Henk Langenhoven
SEIFSA Chief Economist

SEIFSA WELCOMES **NEW MEMBERS**

The following companies became members of associations federated to SEIFSA during January 2015.

Accredited Support Professionals (Pty) Ltd
SEIFSA Associate Membership

Actebis Industrial Services
Constructional Engineers Association (LBD Division)

Agrivaria (Pty) Ltd
South African Engineers & Founders Association

Cynronas Services
Constructional Engineers Association (LBD Division)

Excellent Example (Pty) Ltd
SEIFSA Associate Membership

J M T P Engineering (Pty) Ltd
Association of Metal Service Centres

Maccaferi SA (Pty) Ltd
Constructional Engineers Association (CEA Division)

McClure HR Services (Pty) Ltd
SEIFSA Associate Membership

Moret Mining (Pty) Ltd
South African Engineers & Founders Association

Phuma Phambili Engineering (Pty) Ltd
South African Engineers & Founders Association

RST Agencies Trust t/a Rousant International
SEIFSA Associate Membership

Sizuluntu Staffing Solutions
Constructional Engineers Association (LBD Division)

ESKOM RESUMES **LOAD SHEDDING**

A large number of member companies have contacted SEIFSA over the last few weeks regarding Eskom's current load shedding programme. Eskom resumed load shedding this year after experiencing technical difficulties at a few generating units coupled with a low generation capacity reserve margin.

Many areas have experienced load shedding twice a day, for up to two and a half hours at a time, as Eskom needs to reduce demand for electricity in order to stabilise the electricity system nationally.

Eskom currently finds itself in a position where the demand for electricity exceeds the available supply. In order to manage the situation in the best possible way, planned supply interruptions have been implemented.

Employers who receive their electricity directly from Eskom will find information of possible outages on www.eskom.co.za or by contacting the Eskom Call Centre on 086 0037 566. Employers who are supplied by their local municipalities, however, will have to obtain load shedding information from the municipal electricity departments.

WHAT IS LOAD SHEDDING?

When there is not enough electricity available to meet the demand from all Eskom's customers, it will be necessary to interrupt supply to certain areas. This is called load shedding.

LOAD SHEDDING IS:

- A last resort measure. Only when all other options at Eskom's disposal have been exhausted, such as running its power stations at maximum capacity and interrupting supply to industrial customers with special contracts.
- A controlled way of rotating the available electricity between all customers. Load shedding schedules

are drawn up to ensure that a few areas do not bear the brunt of the shortages. By spreading the impact, affected areas are not interrupted for more than two hours at a time, and in most cases customers can be informed of interruptions in advance.
- An effective way to avoid blackouts. Shortages on the electricity system unbalance the network which can cause it to collapse. By rotating the load in a planned and controlled manner, the system remains stable.

MANAGEMENT ACTION

SEIFSA recommends that management adopt the following course of action informed by section 7 of the Main Agreement in dealing with load shedding:

- If Eskom cuts power and management takes a decision to send employees home, then employees must be paid a minimum of four hours pay.
- If management cannot give the required five calendar days' notice in order to implement short-time in terms of section 7 of the Main Agreement, the power interruption is considered to be an unforeseen contingency.
- Should management require employees to remain at work until the power supply is restored, then employees must be paid in full.
- Regardless of the fact that management has sent employees home, they will still be credited with a shift for the purposes of Leave Pay and Leave Enhancement Pay calculations.

Possible scenarios (examples):

In all of the examples it is important to note that employees do not lose a shift for the purpose of calculating Leave Pay and Leave Enhancement Pay.

1. Employees have clocked in and have worked for two hours when the power supply is cut off and is unlikely to be restored. Management decides to send employees home. Payment: four hours
2. Employees have clocked in and have worked six hours when the power supply is cut off and is unlikely to be restored. Management decides to send employees home. Payment: six hours
3. Employees have clocked in and have worked for three hours when the power supply is cut off and will remain off for two hours. Employees are not sent home and resume work with the return of power. Payment: full shift

In addition to the above, SEIFSA recommends that management explore the possibility of arranging mutually acceptable alternative working-in time arrangements to the load shedding by, for example, reaching agreement with employees and shop stewards to make up for lost hours over weekends, clocking in early, working longer, agreeing that hours lost between the load shedding and the restoration of power be treated on the basis of no work, no pay, etc.

Members should feel free to discuss any course of action with the Industrial Relations staff at SEIFSA who are available to provide you with advice or assistance to management in this regard.

LIAISON WITH **GOVERNMENT** AND **ESKOM** ON **ELECTRICITY CONSTRAINTS**

Press statements by Eskom and Government have been warning about the dire situation of the power generating fleet and possible consequences.

SEIFSA participates in Business Unity South Africa's (BUSA) Task Team of the Trade and Economic Policy Committee on Energy. This task team has the following objectives:

- Develop positions to address the current electricity supply challenges
- Develop broad-based mandates on issues relating to energy policy
- Keep members up to date on developments in these areas
- Facilitate engagement with relevant national departments and state-owned entities on issues identified by the task team

The team is chaired by Dr Laurraine Lotter, Overall BUSA business convener.

The team met three times, initially with the Department of Trade and Industry on 10 December, last year and again on 19 December. Attended by SEIFSA's Chief Executive Officer Kaizer Nyatsumba, the latter meeting set the course for future interactions the objectives have been agreed as:

- That the Five Point Plan to address electricity challenges as discussed in the Economic Sectors, Employment and Development Cluster of Cabinet will be the guiding plan for all to work towards.
- That partnership will be developed to address the challenges of electricity supply.

- Initiatives will be explored where business, municipalities and other stakeholders can contribute in collaboration with Government to address power shortage in the country; and
- A communication protocol will be set to build public confidence on electricity challenges.

At a meeting on 15 January 2015, Eskom made a presentation on its maintenance plan and the state of the system. It was clear from the presentation on the status of the system that the direness of the situation should not be underestimated.

A slide pertaining to the reasons for ongoing deferment of maintenance showed that it is all due to issues of execution rather than having a bad plan. Government would like business to review the reasons for the ongoing deferment of planned maintenance to see if and how business can assist them. One of the reasons for the deferment is the lack of capacity space to allow units to be taken off line.

Deferment of maintenance has been ongoing for six years, owing to various reasons, and a continuation would place the system in jeopardy. Unplanned outages are at levels where planned outages for maintenance cannot happen. Government advised that Eskom wanted to curtail demand by 3000 MW over the next 90 days and had prepared a preliminary list of interventions that could be introduced.

Government wants to limit the negative impact on the economy and therefore wanted to engage with the private sector about what was possible. It was agreed that they would share their preliminary list with business with a view to business convening a meeting to discuss the individual interventions and try and understand the economic costs. For this a package of measures that include demand and supply side measures would be developed.

PROPOSAL:

SEIFSA advises members that outages (planned and unplanned) will definitely happen over the next three months and probably for as long as six years. SEIFSA will do anything possible to support members in adapting to the situation and limiting the costs as far as possible.

Government indicated that it would prefer to work through a single interface with the private sector, at the overarching level and it was agreed that business would endeavour to draw all interested parties under the broad umbrella already established.

The electricity constraints as confirmed by ESKOM and Government represent a serious challenge for the metals and engineering sector, which will have a detrimental impact on businesses. SEIFSA will play an active role in helping members navigate the problems, by communicating with them and representing them where necessary.

SEIFSA endeavors to communicate information of the state of the electricity network and planned outages as thoroughly and accurately as possible. To this effect, SEIFSA has set up a section on its website advising members on sources of information pertaining to their areas, where the latest programmes of outages can be obtained.

ESKOM LOAD SHEDDING REVEALS NEED FOR **ALTERNATIVE ENERGY FOR SA BUSINESS**

Eskom's recent request for its customers to reduce energy consumption, even if it means reducing production, together with ordered blackouts, poses a real threat to the growth of corporate South Africa.

This is according to Manie de Waal, Head of Sales at Energy Partners, a leading energy solutions provider in South Africa, who says that together with affecting national development, Eskom's current inability to deliver uninterrupted electricity has a massive impact on companies' annual earnings. "The full financial effect of load shedding is often hidden as it is 'revenue not earned' as opposed to actual financial losses. In 2008 the National Energy Regulator of SA (Nersa) reported that it had cost South Africa's economy a staggering R15 billion."

De Waal says that there is a direct link between economic growth and an adequate energy supply which means that corporate South Africa must move collectively towards implementing feasible solutions to ensure continued foreign investment and national growth. "There is already considerable interest and foreign investment into South Africa's energy efficiency, as proved by the Private Sector Energy Efficiency programme (PSEE) which falls under the National Business Initiative (NBI) umbrella that has R150 million worth of foreign funding available for development of energy efficiency awareness and projects."

Alternative energy sources must be utilised strategically to minimise cost during a blackout, says de Waal. "Renewable sources of energy, such as solar and wind, can facilitate processes in the event of a blackout."

However, he says, the nature of renewable energy is irregular as it depends heavily on external sources and storage technology is still very expensive in South Africa. "Typically renewable sources do not form the base-load, but are specified according to the site, which

means it hardly ever supplies 100% of power on site. This means that even in energy efficient buildings, a portion of the energy will come from Eskom, which leaves the site exposed in the event of a blackout. It is thus imperative to work with an energy partner that can customise your solution to meet specific needs at the most affordable cost."

He says another popular solution in the event of a blackout is generators, but these are a costly energy source at approximately R5 per kWh in comparison to R1.10 per kWh from Eskom. "When selecting a generator it is important to use a reputable supplier who will take responsibility for the maintenance of the generator and ensure that the maximum demand for the site will be sufficiently serviced.

Often, the most efficient solution will combine renewable and backup (generator) energy solutions and incorporate these into a business's existing infrastructure, says de Waal. This methodology minimises the risk of business interruption at the most affordable cost.

"In order to reduce reliance on Eskom for energy requirements, business owners should ask a reliable energy efficiency partner to conduct an energy audit to ensure that energy processes and solutions can be implemented for optimal efficiency. This is particularly important for businesses that rely heavily on electricity for key processes such as manufacture, agriculture and mining," concludes de Waal.

Reference:

Mining review.com

ELECTRICITY DISRUPTIONS

In 1942 South African historian, CW de Kiewiet, coined the phrase that South Africa progresses "politically by disaster and economically by windfalls". We thought we have since succeeded in reversing these trends. The political disasters of the past were self-inflicted and we hope that democracy's self-correcting mechanisms will hold.

However, the electricity crisis confronting us suggests that we are fast succeeding in turning (at least some) economic windfalls into disasters – and the tragedy is that this one is also self-inflicted.

The crisis consists of two components: the country did not invest enough in expanding its power generation capacity and perilously neglected maintenance of the capacity that it has.

- In 1984/5 South Africa had surplus generating capacity of 40% of what the country needed. The economy is estimated to be 100% larger today than 1985 (manufacturing 70% larger) and generation capacity in that year was 45 000 megawatts. We today have 44 000 megawatts available, speculatively, but it is estimated that at one time during December 2013, we had 40% of that capacity unserviceable. The reserve margin of 31% in 1994 went down to 7% (2007) and is now non-existent.
- The benchmark result for maintenance is to have only 1% unplanned production losses, more or less the state of affairs in 2005. Deferred maintenance days have risen from 1500 (2006) to 7000 days (2013/4). The average unplanned production losses have therefore risen from 1% to 15%.

The conundrum for the country is encapsulated in a simple accounting term, called "depreciation". When looking at fixed investment in power-generating capacity, one has to consider a continuously adjusting trend allowing for new investment and depreciation. If allowance has not been made for sufficient maintenance, then this trend is downward. The ratio of total fixed investment in generating capacity relative to

the size of the economy forms a bell curve, reaching a peak in 1985/6 – and by 2006/7 it had deteriorated to the 1960s levels. We are in the trough as it stands.

Arguments are raging about where the blame should rest, delays in new capacity construction, unpaid tariffs, cross subsidisation of local authorities, energy in-efficiency etc. The fact of the matter is that the situation is dire, by any other name a crisis. While all of these are important, none of the conclusions will solve the current problem.

The crisis consists of two components: the country did not invest enough in expanding its power generation capacity and perilously neglected maintenance of the capacity that it has

The costs are horrendous. For the metals and engineering sector, the month-long metal strike wiped out R7 billion of value added, which were 8% of its contribution to the economy in 2014. However, the South African Reserve Bank reported that, after the numbers have been plugged into their models, the estimated total impact of the strike on the economy amounted to half a percentage point loss in GDP growth. The impact of load shedding would be worse; assuming demand management savings of 10% with two hours (stage 1) of load shedding a day, and allowing for the differential impact on the sub-industries within the metals and engineering sector, 23% of value add could be lost over a year. Under-utilisation of the sector's current capacity will deteriorate, profits will suffer and medium to long term (often export) supply chain contracts may be lost.

We have only two issues to consider; the costs are mounting daily, delaying it for the future is not a choice. Not taking it now, will result in much bigger costs later and indeed the spectre of losing the whole generation system, which can put the country back a decade. What can be done to limit the costs now, assuming the latter is too ghastly to contemplate?

Certainty of when outages take place simply has to be a priority. Eskom's larger power users (and direct customers) have almost perfected communication to alleviate this problem for their 24 hour operations. They are in constant communication with Eskom, via e-mail, telephone and SMS warning systems. This does not mean that the non-continuous operations are not disrupted; they are requested almost daily to save more or shut down other operations. What do they do with a batch of molten plastics, a furnace full of boiling steel, or for that matter tons of chocolate concentrate?

The majority of users of electricity are serviced by local authorities and metro's. Efforts are being made, some more successful than others to enhance accuracy, but local users should stand together and urge/pressurise their suppliers to be punctual. Joint efforts in industrial areas to share (and contribute) to planned outages in local areas must be pursued.

There is a groundswell of support from different sectors of the economy for outages to be rigidly applied, to create certainty, even when generation capacity is available. The choice of whether this is preferable above the waste generated by unplanned stoppages is really a complex issue, but should be considered.

There is no doubt that investment decisions by companies will have to be diverted away from expansion to renewal and energy efficiency and/or standby, if not full replacement, generation capacity. This may sound harsh, but it boils down to the duration of the constraint (which took six years to come to this point) that could take six years to be resolved. It is patently clear from investment patterns in manufacturing and metals and engineering that it has been held back by this constraint, the inconsistency of supply and the cost of energy trends.

South African manufacturers are importing more and more components for assembling locally due to cost advantages and the insecurity of local supply due to these disruptions. If your company is one of such component suppliers, it is of strategic importance that you should try and prevent this trend from escalating.

Henk Langenhoven
SEIFSA Chief economist

scaw
METALS GROUP

A trusted industry leader

For 90 years, SCAW, a South African industry leader, has been a preferred supplier to the construction industry. Whether it's hoisting, reinforcing or excavating, Scaw produces an extensive range of products that drive safety and productivity in construction projects.

From wire & strand products, Haggie® Steel Wire Rope, chain products or construction specific steel, Scaw continues to design and deliver the highest quality products to customer specifications.

Highly qualified teams with extensive experience in all aspects of the application of our products are on call to advise and support the selection, handling, installation and maintenance of products vital to driving safety, productivity and profit in the construction industry.

www.scaw.co.za

Experience Matters.

S13924

PNEUMATIC OR ELECTRIC? THE ANSWER IS A HYBRID

Festo is a member of the Electrical Engineering and Allied Industries Association that is federated to SEIFSA.

There are many schools of thought when considering using pneumatic versus electric technology for your automation requirement, Festo Business Development Manager Russell Schwulst takes a look at current opinions and suggests a sensible mixture of the two technologies, focused on the application in question and energy efficiency.

Electric or pneumatic - which approach is the more efficient? According to Schwulst, it is not possible to give a generalised answer. The right approach always depends on individual cases. The strength of Festo is that the company can offer both technologies. “We can provide expert technology-neutral advice which gives users a view of both alternatives, thanks to the fact that we have knowledge and experience of both electrical and pneumatic solutions, explains Schwulst.

According to Schwulst, hybrid solutions are often an efficient alternative, combining the best features of both technologies. Consider a typical application of a packaging machine. A conveyor belt accepts a product and sets it down on a second conveyor belt with an outer packaging. This requires two motions: an X axis with a maximum stroke of about 1000 mm and a Z axis with a stroke of around 100 mm. “Now consider the three options: pneumatic, electric or pneumatic-electric drives”, says Schwulst. “A mix of technologies with an electric X axis and a pneumatic Z axis offers an optimal combination of efficiency, cost, flexibility and performance, since it allows both types of drive to play to their strengths.” For example, the electric axis offers highly dynamic operation and flexibility, while the pneumatic axis is distinguished by its compact size and low weight.

In recent years, ecological factors have become more and more important for many applications and customers. At the same time, the question of costs cannot be ignored. Schwulst feels that it is advisable to keep an eye on both these aspects. It is important to not only focus on the initial purchasing costs but also overall and environmental costs. Product developers need to consider a large number of criteria in almost every technological decision. “Ultimately, this decision involves a process in which an optimal solution must be found on the basis of specific parameters without falling back on generalised statements,” concludes Schwulst.

JAPAN

SUMITOMO WARNS OF FURTHER WRITE-DOWN ON ENERGY, IRON ORE ASSETS

Japanese trading house Sumitomo Corp has warned that it may take additional impairment losses on its energy and metal assets due to slumping oil and iron ore prices, although it's annual profit forecast remained unchanged.

The warning came after its surprise forecast in September last year that it would write-down about 240 billion yen ($2.05 billion) in the value of its assets, mainly in energy and metals.Like international oil majors and mining companies, Japan's trading companies have been caught flat-footed by the rout in commodities, with oil down more than 50 per cent and copper falling about 23 per cent since the middle of last year.

"We may need to take an additional write-down on some of our stakes in resource assets due to falling prices of oil and other commodities, but we are keeping our full-year profit forecast as our non-resource businesses are doing well," Sumitomo Chief Financial Officer, Hiroyuki Inohara said.

Inohara said the company might book an impairment loss on its stake in a North Sea oil project and its share of the Marcellus shale gas project in the United States. The company might also take an additional write-down in the value of its stake in a U.S. shale oil venture and a Brazilian iron ore operation, he added. Sumitomo said in September it would suffer a hefty impairment loss from the Brazilian project. Inohara did not say how much the additional losses could be.The company stuck to its forecast of net profit for the year to end-March of just 10 billion yen ($85.46 million), compared with a profit of 223 billion yen a year earlier and a 12.3 billion yen mean estimate of 10 analysts polled by Thomson Reuters.

Last September, Sumitomo shocked investors by cutting its annual profit guidance by 96 per cent due to losses on a U.S. shale project and sharp declines in iron ore and coal prices. For the April-December period, it reported a net loss of 10.26 billion yen after booking impairment losses totalling 193 billion yen, which included a 174 billion yen write-down in the value of the shale oil project in the Permian Basin in Texas.

Inohara said the company had no plan to write down the value in the Ambatovy nickel project.

Reuters

UK

CELSA AND TATA URGE ACTION ON CHEAP STEEL IMPORTS

Steelmakers are calling for action to stop foreign steel flooding into the United Kingdom (UK) which they blame for the industry stagnating. Producers Tata and Celsa employ more than 7,500 people across Wales.

Steel is a major component in the construction industry so both were badly hit by the recession and 400 jobs went at Tata last year.

Producers say cheap imports from China are taking the place of UK steel. During the tough economic times, Celsa and Tata have continued to invest in Wales. Steel production in the UK bounced back in 2013 but it levelled off last year.

Construction projects can obviously buy products from whichever country they want in a free market but steelmakers here say it is not a level playing field with the Chinese government giving financial support to their sector. Higher energy costs and business rates are also blamed pushing production costs up in the UK.

The latest figures from UK Steel, a division of the manufacturers' organisation EEF, show steel output in the UK stuttering in 2014 - at 11.9 million tonnes, which was just 0.2% higher than 2013. Imports are now 60% of the market compared with 56% in 2013. Ian Rodgers, director of UK Steel, wants the EU and the UK Government to "act vigorously".

BBC

AUSTRALIA

NEW 'SUPER-STEEL' ALLOY IS AS STRONG AS TITANIUM, BUT 10 TIMES CHEAPER

Scientists in South Korea have invented a new steel alloy that boasts the same strength-to-weight ratio as titanium - the super-strong metal used to construct jet engines, missiles, spacecraft, and medical implants - but it can be produced for one-tenth of the cost.

In order to develop this new kind of metal, the team from Pohang University of Science and Technology had to overcome a problem that had stumped materials scientists for decades, says William Herkewitz at Popular Mechanics.

"In the 1970s, Soviet researchers discovered that adding aluminium to the mix when creating steel can make an incredibly strong and lightweight metal, but this new steel was unavoidably brittle," he says.

The issue is that steel on its own is very strong and cheap, but it is super-heavy. So it is not that useful in constructing aircraft, and while it has enjoyed a good run in the car manufacturing industry, the fuel-efficiency people have come to expect that it is just not possible when you are trying to support all that hefty steel.

You need to mix steel with something to make it lighter and aluminium is the obvious candidate, because it is so lightweight and cheap. However, the problem is that when you try to mix aluminium and steel - an alloy of iron, aluminium and carbon - sometimes the aluminium and iron atoms would fuse together in weird ways, forming dense, crystalline structures referred to as B2. While these structures were certainly strong, they were brittle, which means you really did not have to do much to them before they would crumble and break. Scientists tried adding manganese to the mix, which helped reduce the brittleness, but not enough.

And then, lead researcher and materials scientist, Hansoo Kim, had an idea - manipulate the structure of the aluminium-steel alloy on the nanoscale.

"My original idea was that if I could somehow induce the formation of these B2 crystals, I might be able to disperse them in the steel," he told Herkewitz at Popular Mechanics. So his team figured out that if they moved the B2 crystals around and separated them from each other, the rest of the alloy structure could fill in the gaps and protect them from breaking apart.

The key to working this out was adding a tiny bit of nickel, The Economist reports.

"The nickel reacts with some of the aluminium to create B2 crystals a few nanometres across. These crystals form both between and within the steel's grains when it is annealed (a form of heat treatment). B2 crystals are resistant to shearing, so when a force is applied to the new material, they do not break. This stops tiny cracks propagating through the stuff, which gives it strength. That strength, allied with the lightness brought by the aluminium, is what Kim was after."

The team has published the results in Nature, and they hope that other materials scientists around the world will use their method to come up with more weird and wonderful new alloys for the market. They are currently in discussion with POSCO, one of the world's largest steel manufacturers, to see if they can get their 'super-steel' out into the production line.

Science Alert

THE WAR FOR TALENT RAGES ON - IS YOUR ORGANISATION BATTLE READY?

In 1997 a ground-breaking study carried out by Mckinsey Consulting, demonstrated that "the war for talent" is a strategic business challenge and a critical driver of corporate performance.

With organisations today operating under unprecedented conditions of competition and turbulence, it is increasingly difficult to attract and retain talented employees. It is therefore imperative that during these times, organisations develop a purposeful process for sourcing, attracting, engaging, managing, developing and retaining key talent. People have become the key differentiator in today's knowledge-based economy.

Global research on the effects of engagement on business performance demonstrated that to be fully engaged requires emotional involvement at work, which is a facet of being challenged, appreciated, heard and respected. According to the studies, up to 80% of employees are not engaged and therefore not performing optimally. The question that many organisations are faced with, is whether they have the right people, with the right skills, in the right job, at the right time?

In South Africa we are constantly constrained by the lack of critical skills for the profitability and sustainability of our businesses. The South African landscape seems to be becoming "bleaker" as we progress. Some concerning statistics are that only 30% of high school graduates entering university complete a bachelor's degree in five years. The graduation rate for students in higher education, as measured by the number of graduates in a particular academic year as a percentage of the total enrolment for that year, averages at about 16% since 2005. Engineers, technicians and skilled trade workers are still among the top 10 jobs that employers are finding difficulty in filling.

The Industrial Policy Action Plan (IPAP) report of South Africa indicates that there has been a narrow supply-driven approach to skills planning and delivery, compounded by poor interpretation and measurement of medium-to-long term skills demand. Simply put the implication of this would be that there is a mismatch between the skills that industry needs and the skills that are being supplied.

Looking at the above, it is fairly evident that the task, of ensuring that the company has the right talent and a robust talent management strategy, is not one that can be treated frivolously.

There is a demonstrated relationship between an effective talent strategy and business performance. A few examples include:-

a) A study from the Hackett Group 3 found companies that excel at managing talent, post earnings that are 15% higher than their peers.

b) IBM found public companies that are more effective at talent management had higher percentages of financial outperformers than groups of similar sized companies with less effective talent management.

c) According to the Bersin & Associates Talent Management Factbook, companies with strategy-driven integrated talent management functions have significant advantages over their siloed counterparts:

   - 26% higher revenue per employee; 40% lower turnover among high performers; 87% greater ability to "hire the best people"; 92% greater ability to "respond to changing economic conditions"; 144% greater ability to "plan for future workforce needs"

Companies are no longer facing the dilemma of whether they should have an effective talent management strategy but rather asking themselves, what would they have to do to ensure an effective strategy? In recent studies conducted, it was found that more than 90% of companies agreed that talent management was a priority. However, approximately 55% had some sort of talent management process in place.

In order to ensure that your company has an effective talent management process, you could use the following eight step process:

- Ensure that there is a clear understanding of the organisation's current and future business strategies.
- Identify the key gaps between the talent in place and the talent required to drive business success.
- Develop and implement a sound talent management plan designed to close the talent gaps. It should also be integrated with strategic and business plans.
- Make accurate hiring and promotion decisions.
- Connect the individual and team goals to corporate goals and provide clear expectations and feedback to manage performance.
- Develop talent to enhance performance in current positions as well as readiness for transition to the next level.
- Focus not just on the talent strategy itself, but the elements required for successful execution.
- Carry out business impact and workforce effectiveness measurement during and after implementation.

Talent management has emerged consistently as a strategic driver in global and national organisations. It is, however, clear from all the evidence of engagement statistics, attrition rates and talent surveys that those organisations are not winning the "war for talent". A structured talent management process will systematically close the gap between the human capital an organisation currently has and the leadership talent it will eventually need to respond to tomorrow's business challenges. It is however, not only the strategy, systems and processes that will make the significant change to this topic, but the development of an appropriate attitude and mind-set to talent management.

Mustak Ally

Skills Development & Human Capital Executive

SEIFSA
TRAINING CENTRE
inspiring excellence

Intakes
for 2015

31 March 2015
22 June 2015
14 September 2015

TRAINING OFFERED AT THE CENTRE INCLUDES:

- Artisan Training & Recognition Agreement for Metal Industry
- Trade testing
- Trade proficiency Assessment Services
- Continuous up-skills of artisans
- Recognition of prior learning
- Competency Assessment
- Skills Programme
- Apprenticeships
- Learnerships

Established by:

SEIFSA
Steel and Engineering Industries Federation of Southern Africa
OUR PASSION, YOUR SUCCESS

Managed by:

Gijima
Technology People

Accredited by:

CHIETA
CHEMICAL INDUSTRIES EDUCATION & TRAINING AUTHORITY

merSETA

Tel: (+27 11) 422-2500

INDENTURING OUR APPRENTICES

Each year the Steel and Engineering Industries Federation of Southern Africa (SEIFSA) acquires the services of Gijima's Recruitment division to go through an intense recruitment process in order to find top candidates to sponsor as apprentices.

This year is no different with SEIFSA once again funding the training of ten young people to undergo their six month period of institutional training at the SEIFSA Training Centre in Benoni.

Of the ten apprentices, four are training as fitters and turners, three as boilermakers and three as electricians. Two of these trainees are female.

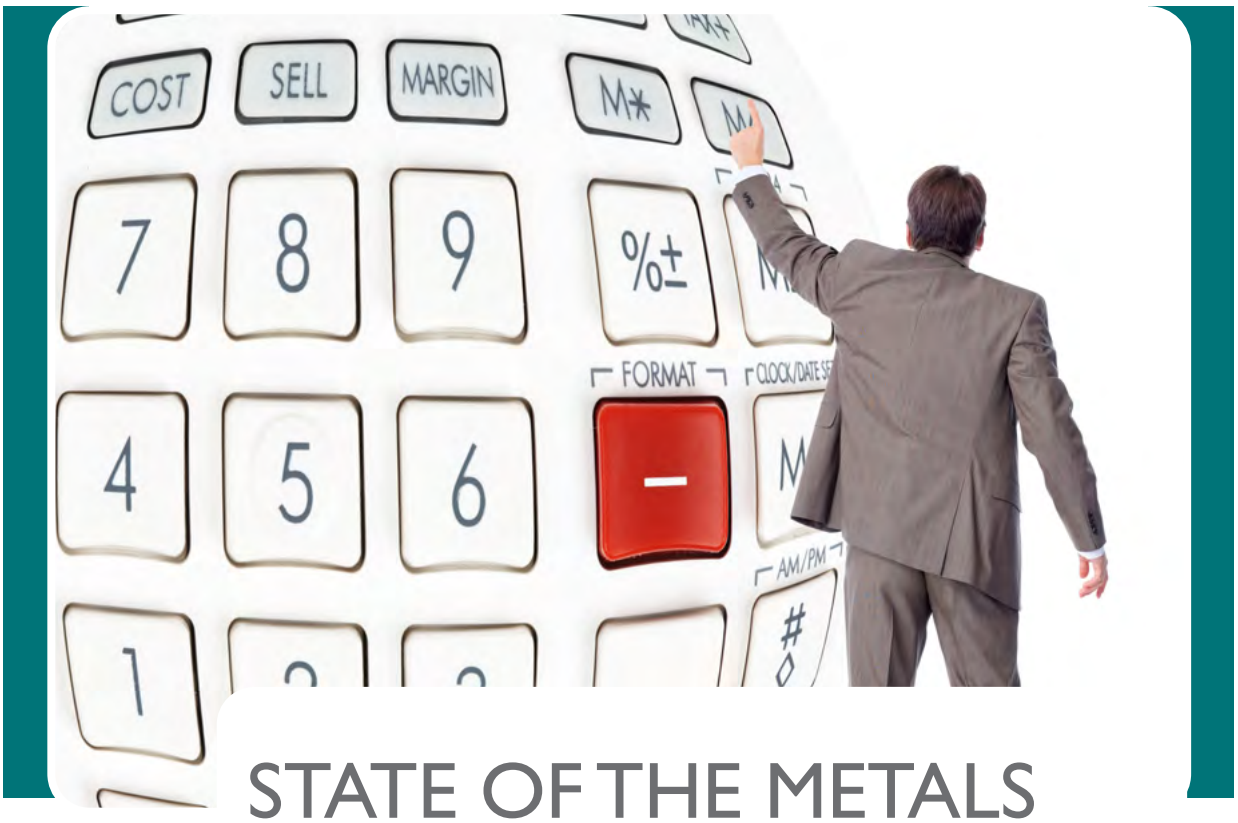
The training commenced on 5 January 2015 and will be completed on 19 June 2015.

All candidates are between the ages of 18 and 28 and have achieved at least 50% in each of their modules at N3 level in college and have passed a psychometric and fitness assessment.

Due to the high demand for these high calibre apprentices, most of the 2014 candidates have already been indentured by a number of companies such as Rheem SA, Melco Conveyer Equipment and Aberdare Cables. Three fitting and turning and two electrical apprentices still remain for immediate indenturing. The 2015 apprentices will be ready for interviews in April.

Companies who indenture these young people as apprentices save on all the costs associated with recruitment, selection, Further Education and Training College attendance as well as the six-month institutional training component of their training where they complete all the modules contained in the apprentice training schedule. Importantly, employers can be confident that they are taking on young, motivated, high calibre apprentices who are ready to make their mark in industry.

Companies interested in indenturing any of these apprentices are invited to contact SEIFSA Training Centre's Marketing Officer Setsana Itibare on (011) 298-9424 or email setsana@seifsa.co.za



STATE OF THE METALS AND ENGINEERING SECTOR AND OUTLOOK FOR 2015 - 16

The metals and engineering sector is estimated to have produced R488 billion worth of output during 2014 and have added R117 billion of value to the economy. It is estimated to have contracted by 2% during 2014. Employment was fairly unstable but on average 398 000 people were formally employed by the sector.

2014 was a disappointing year. It was expected that growth would resume after the 2% contraction during 2013, but the hope of continued domestic and international economic recovery at the beginning of the year, faded during 2014. This meant that production levels are still 25% to 30% lower than the peak of 2007. Employment declined, capacity utilisation remained below optimum and profitability declined. With neither demand, nor the prospects of growth in demand, as well as idle production capacity, profits do not materialise and little investments takes place.

There is more uncertainty about current and prospective economic growth in the world economy than a year ago. As a result, demand grew slower and South African exports, generally, seemed to have lost market share in international markets during the upheaval in the aftermath of the financial crisis. For metals and engineering, the combined impact of low international demand, lack of international competitiveness (high production costs and production instability), falling commodity prices and the depreciating exchange rate have had the net result of the trade balance improving by 12% but still with a substantial deficit.

The primary drivers of the improvement have been increased exports (17%) of the basic ferrous and non-ferrous industries, with the trade balances of the other subsectors not changing much. On aggregate the weaker rand has assisted exports (up 15.5%) while also helping to ease growth in imports (up only 3.1%)

Prospects for domestic economic growth has improved slightly (2,5% for 2015) over the disappointing 1,4% last year. Overall, the gross fixed capital formation is estimated to have grown by 3,3% during 2014 and the outlook is the same for 2015, improving in 2016.

Of specific interest to the metals and engineering sector is the outlook for infrastructure expenditure, (a recent report by Nedbank showed that projects announced halved since 2013), mining sector investment prospects (which have not fully recovered after the strikes last year and is hampered by low commodity prices) and the performance of the auto sector (which faces uncertainties). Import competition remains fierce.

On aggregate the weaker rand has assisted exports (up 15.5%) while also helping to ease growth in imports (up only 3.1%)

There has been an overload of mixed policy signals around the country's development challenges. The National Development Plan, and the elaboration of action plans in the Medium Term Strategic Framework, has the promise of more harmony. However, the 'execution deficit' remains a stumbling block. Industrial policy is caught between threats (international competition) and constraints (domestic infrastructure, logistics and electricity).

These constraints are often under-estimated as physical restrictions on business. In reality, these well intended policies often only compensates for these, instead of achieving their stimulation objectives.

With all the above taken into account, it is our considered view that the sector experienced a contraction of 2% during 2014 and that no growth can be expected during 2015. We believe that 2016 could be better, if the prognosis for international and domestic recovery materialises.

The most prominent theme in terms of price movements during 2014 was the downward spiral in both commodity prices, producer prices and consumer prices. Last year began with domestic inflationary pressures averaging 10%, primarily driven by the prior weakening of the exchange rate. Following the first quarter the trend has been deflationary right through to the end of 2014.

Despite input cost pressures, the weak global economy, the fall in international commodity prices, the weak domestic economy and prolonged strike action disrupting production, have driven down prices.

We anticipate this deflationary pattern in steel and production prices to last into 2015.

Henk Langenhoven
SEIFSA Chief Economist

SOUTH AFRICANS URGED TO **USE WATER LEGALLY, SPARINGLY**

The Department of Water and Sanitation has urged South Africans to respect the laws regulating water and use water sparingly.

In November 2014, the Department embarked on raids in certain areas of the country to compel entities across all sectors that are abstracting water illegally from the rivers and other water resources to stop their activities or face the might of the law.

The raids formed part of Focus Week to mark the Enforcement Month since the beginning of November to remind all South Africans about the importance of using water legally and sparingly.

In terms of the National Water Act of 1998, all water users in South Africa, whether for commercial or domestic uses, must be registered through their municipalities and industries and must be issued with water use licenses.

The National Water Act forms part of the pillars of South Africa's laws as it seeks to enforce good management of water and its conservation. The department warned that South Africa is among the 30 driest countries in the world and the country also runs the risk of becoming a desert in 20 years if water is not managed and used sparingly.

"It is unacceptable that some individuals and industries use the country's scarce resource for personal benefit without applying for water use licenses."An increase in unlawful water use activities, with a negative impact on the environment as well as socio-economic factors, called for a need to bring about public awareness regarding compliance," the Department said.

The Department explained that accelerated enforcement means effective and enforceable control measures against the unlawful water uses as a result of the detrimental impact they have on the environment.

"Due to the constitutional obligations of the department, the Chief Directorate: Enforcement was responsible for ensuring that the constitutional mandate is met through different enforcement actions and to ensure compliance by transgressors who unlawfully use water from South Africa's scarce water resources."

Reference:

Bizcommunity.com

ENVIRONMENTAL LICENCES SUSPENDED IF AN APPEAL IS SUBMITTED

Environmental authorisations, water use licences, waste management licences and atmospheric emission licences issued by competent authorities will now be suspended if an appeal against them is submitted.

This is in terms of an amendment to the National Environmental Management Act (NEMA), which has been in place since 2 September 2014.

The amendments to NEMA, introduced by the National Environmental Laws Amendment Act (NEMLAA), could have the unfortunate consequence of delaying much-needed developments.

This is particularly as appeals to environmental authorisations are often lodged without any substantive basis, with appellants relying on minor environmental impacts and not balancing the socio-economic elements of sustainable development under NEMA's provisions.

However, prior to the amendment, because the environmental authorisation was not suspended by an appeal, the law required that where local communities or other interested and affected parties identified a serious environmental or socio-economic impact associated with a development, such parties were obliged to resort to the very costly route of instituting interdict proceedings in a High Court to stop the development, while they awaited the outcome of their appeal (and possibly also review proceedings if the appeal was dismissed). In the interim, while an appeal was being considered by the competent authority, it was possible that significant environmental damage could result.

LITTLE VALUE TO APPEAL

If interdict proceedings were not immediately instituted and the development had commenced, it was often difficult to obtain an interdict, as the party applying for it could not show that irreparable harm would be caused and the balance of convenience favoured them, which is necessary to prove for an interdict. If an interdict was not granted, the development generally proceeded and there was little value to the appeal, particularly given the long period generally taken by the authorities to decide on appeals.

The NEMLAA further provides that an appeal submitted under NEMA also suspends an exemption, directive, or any other decision made in terms of NEMA or any other specific environmental management Act (which includes the National Water Act, National Environmental Management: Waste Act and National Environmental Management: Air Quality Act), or any provision or condition attached thereto.

POWER OF MINISTER

The Minister or a MEC may, however, direct that any part or provision of the directive not be suspended by an appeal, but only strictly in exceptional circumstances where there is an imminent threat to human health or the environment. Where that occurs, the NEMLAA provides that a person may apply to the competent authority to suspend the operation of the directive or any part of the directive pending the finalisation of the appeal.

On appeal, the competent authority is empowered to confirm, modify or cancel a part or the whole of a directive as well as specify the period within which the person who received the directive must comply with any part of the directive that is confirmed or modified.

The amendments to NEMA bring it in line with other environmental legislation, for example the National Water Act, which contains provisions suspending a water use licence when an appeal is lodged.

Reference:

Bizcommunity

MANAGING HIV/AIDS IN YOUR WORKPLACE

In this article we continue to look at what successful HIV/AIDS prevention strategies have in common. Remember, these articles are about understanding what has worked for other companies and recognising what may work in yours. The previous article explored HIV counselling and testing (HCT). In this article we look at some of the most important considerations when contemplating an HCT campaign in your workplace.

WORKPLACE PREVENTION PROGRAMMES MUST ENCOURAGE EMPLOYEES TO TEST FOR HIV

Testing for HIV and getting employees to know their status are the foundation of a workplace HIV/AIDS prevention strategy whose ultimate goal should be to stop new infections. This is supported by the Department of Labour's Code of Good Practice on HIV and AIDS and the World of Work which emphasises in Section 8.1 (d) that workplace prevention programmes must ensure that there are measures in place to encourage employees to know their own HIV status through voluntary counselling and testing.

Your options could include encouraging employees to take part in the revitalised national HCT campaign (for example, through an incentive), which was launched by the Government in December 2013; or you could consider an in-house campaign – either through the on-site clinic, if your company has these facilities, or by getting an external provider to facilitate this process.

POINTS TO PONDER BEFORE IMPLEMENTING

If your company is considering introducing an HCT service in the workplace, bear in mind that there is a set of critical requirements that need to be addressed before implementing:

- Effective policy, which respects national guidelines on counselling, HIV testing, confidentiality and disclosure, needs to be implemented to protect the rights of HIV positive employees and to prevent

the exposure of the company to costly litigation procedures in case there is unlawful disclosure of an employee's HIV status.

- The workplace needs to address stigma, discrimination and prejudice relating to HIV positive employees. Any discriminatory behaviour – in the context of an HCT programme – towards HIV positive employees, either by colleagues or managers, could expose the company to litigation procedures.
- The company needs to confirm the set of healthcare, employment and disability benefits applicable to HIV positive employees.
- Employees must feel completely comfortable that they will not be prejudiced in any way if they disclose their HIV positive status to any structure in the company.

In adhering to national guidelines, it is critical that HIV testing of employees be provided with informed consent and proper counselling (both pre and post-test). Importantly, in terms of counselling, the Code of Practice is quite clear when it states that "where employers ... facilitate provision of HIV testing facilities, they must ensure a conducive environment for counselling."

MAKING YOUR CAMPAIGN A SUCCESS

Below are some of the critical success factors to consider:

- Maintain confidentiality – it is of the utmost importance.
- Encourage visible and transparent management support of the programme.
- Allocate sufficient budget and resources to the programme.
- Market the programme effectively.

Whether your organisation chooses to encourage employees to test through the national HCT campaign or an internally-run campaign, the objective should always be to get people to test regularly. It should not be a once-off event.

Contact Redpeg for accredited HIV/AIDS workplace training, consulting and research.

info@redpeg.co.za

(011) 794 5173 |

www.redpeg.co.za

ACCREDITED LABOUR BROKERS AS AT 9 FEBRUARY

Express Employment Professionals (Pty) Ltd

Central Technical Services (Pty) Ltd

Sebcon Contracting Services

Khuboni Placements (Pty) Ltd

JLH Services and Consulting (Pty) Ltd

CDR Contracts (Pty) Ltd

Oxyon Human Capital Solutions

ESG Recruitment cc

BDM Management (Pty) Ltd

Uthingo Mndeni Projects cc

Lapace Construction (Pty) Ltd

Staff-U-Need a Division of ADCORP Staffing Solutions

EFS Labour Consultants cc

ALOS Holdings (Pty) Ltd

Global Industrial Consultants 2 cc

Monyetla Services (Pty) Ltd

AMT Placement Services

Molapo Quyn Outsourcing (Pty) Ltd

Quyn International Outsourcing (Pty) Ltd

Valorem Recruitment (Pty) Ltd

Capacity Outsourcing (Pty) Ltd – a Division of ADCORP

Circa Staffing Solutions (Pty) Ltd

Capital Outsourcing Group (Pty) Ltd

Kelly Industrial a Division of Kelly Group (Pty) Ltd

Global Isizwe Placements cc

Swift Human Resources (Pty) Ltd

CAP Personnel Placements (Pty) Ltd

Phakisa Technical Services (Pty) Ltd

6th Floor, Metal Industries House, 42 Anderson Street, Johannesburg
PO Box 1338, Johannesburg, 2000
Tel +27 11 298 9400 Fax +27 11 298 9500
Email info@seifsa.co.za Web www.seifsa.co.za

SEIFSA
Steel and Engineering Industries Federation of Southern Africa
OUR PASSION, YOUR SUCCESS

Get a head start on next year's Main Agreement Handbook

Order next year's Main Agreement Handbook (2015/2016) and on-line subscription from 1 June to 30 June 2015 and pay 2014 prices (R300.00). The 2015/2016 handbook will be available in July 2015.

Main Agreement - order form: 2015/16

Reg. No. 1949/034221/08 VAT No.: 4550104311

Membership Info			
Is your company a member of an Association federated to SEIFSA?			
YES		**NO**	
Membership Number			
Is your company registered with the Bargaining Council?			
YES		**NO**	
MEIBC (Bargaining Council) Number			

Company Info	
Company name	
Postal address	
Physical address	
Company VAT registration no.	

Payment			
Method of payment			
Internet payment		**Direct transfer**	
Person responsible for paying the account			
Tel + area code			
Fax + area code			
E-mail			
Billing Address			

Company Order Number

Name

Designation

Signed on **of** **20** **at**

Signature
(Duly authorised to sign on behalf of the company)

Quantity	Unit cost (incl VAT)	Total
	R300.00 members	
	R320.00 non-members	

	Details of subscribers for on-line subscription	
1	Name of subscriber	
	Surname	
	Designation	
	E-mail	
	Tel + area code	
2	Name of subscriber	
	Surname	
	Designation	
	E-mail	
	Tel + area code	
3	Name of subscriber	
	Surname	
	Designation	
	E-mail	
	Tel + area code	
4	Name of subscriber	
	Surname	
	Designation	
	E-mail	
	Tel + area code	
5	Name of subscriber	
	Surname	
	Designation	
	E-mail	
	Tel + area code	

Each subscriber will receive a copy of the SEIFSA Main Agreement Handbook at a cost of R300.00.00 each. Should you require more than 5 subscribers, kindly complete additional forms. For on-line access, please supply us with subscribers details above.

PAYMENT PROCEDURE

(1) Deposit or transfer the fee directly into:

Account Name: Steel and Engineering Industries Federation of South Africa
Bank: First National Bank
Branch: Main Street **Code:** 251-705
Account Number: 50605809927

(2) The reference on the deposit slip or EFT should be your tax invoice numberand/or company name.

(3) Fax this form together with the deposit slip or EFT to Chanyn van Rhyn on011 298-9540 or chanyn@seifsa.co.za

(4) Cheques to be made payable to Steel and Engineering Industries Federationof South Africa.

MAIN AGREEMENT WALL CHART 2015/16

Why don't you also make use of the Main Agreement wall chart summarising the key provisions of the Main Agreement.
Order your 2015/16 wall chart from 1 June to 30 June 2014 and pay only ***R265.00***

To order your copy contact Chanyn van Rhyn
011 298-9440 or chanyn@seifsa.co.za

Quantity	MEMBERS	Total
	R 265	
Quantity	**NON-MEMBERS**	**Total**
	R 400	

Name

Designation

Signed on **of** **20** **at**

Signature

(Duly authorised to sign on behalf of the company)

NOTE

Every employer is required to have a copy of the Main Agreement available to employees. Displaying this wall chart fulfils that legal requirement.

METAL INDUSTRIES **MAIN AGREEMENT GAZETTED**

Do you have your copy of the 2014/ 2015 SEIFSA Main Agreement Handbook?

On 24 December the Minister of Labour gazetted the 2014/2017 Main Agreement and extended it to the rest of the metals and engineering sector with effect from 5 January 2015. The gazettal effectively binds all employers in the metals and engineering industry. The Main Agreement concluded on 29 July 2014 is now applicable throughout our sector.

It is a legal requirement to have available a copy of the Agreement in the workplace. If you do not already have a copy of the 2014/ 2015 SEIFSA Main Agreement Handbook, now is the time for you to order this user friendly, easy-to-read summary of the terms and conditions of employment applicable to your factory workers.

In addition, this latest edition highlights the various amendments arising from this years' Main Agreement negotiations and is jam-packed with managerial commentary and guidance, including a host of pro-forma letters and contracts covering, amongst others: letters of employment, implementing short-time, dealing with load shedding, retrenchment, and applying for an exemption.

Do not delay order your 2014/ 2015 SEIFSA Main Agreement handbook now!

To order your 2014/2015 SEIFSA Main Agreement Handbook please complete and return the attached order form.

Please feel free to contact our Industrial Relations team or our Legal Division with any requests for assistance on any matters, including those related to the provisions of the 2014-17 Main Agreement.

DO BUSINESS RESCUE PROCEEDINGS SUSPEND THE OBLIGATION OF AN EMPLOYER TO PAY PENSION FUND CONTRIBUTIONS?

The interests of the members of a retirement fund can be highly compromised where there is a failure on the part of the participating employer to pay contributions due to the fund in which they participate.

Not only does the withholding of contributions by the employer constitute a breach of the employment contract, where contribution payments are late, the member forfeits the interest that he or she could be earning on that money and the employee's risk cover could lapse due to the non-payment of premiums to insurers. Despite being heavily regulated by statute, ensuring the timeous payment of contributions on the part of employers is a constant struggle for many funds and many administrators.

Section 13A of the Pension Funds Act (PFA) requires that employers pay contributions for a particular month within seven days after month-end that they provide member schedules in respect of contribution payments to the fund and that compound interest is paid on late contributions. Despite the PFA imposing clear obligations on employers without qualification, there appears to be a misperception that section 13A does not apply to a company that has been placed under business rescue in terms of Chapter 6 of the new Companies Act, 2008 ('Companies Act').

Quite contrary to this misperception, section 136 of the Companies Act expressly prohibits the unilateral cancellation or alteration of employees' terms and conditions of employment during business rescue proceedings. An employer's contributions to its employees' retirement funding vehicle are made pursuant to the employee's terms and conditions of employment and the same is true of the deduction of employees' contributions and remittal. Section 144(5) of the Companies Act further states that additional

protections specifically awarded to employees during business rescue proceedings shall be in addition to any rights arising or accruing in terms of any law, contract, collective agreement, shareholding, security or court order. It is thus seemingly clear that section 13A of the PFA continues to bind companies during business rescue proceedings.

Section 133 of the Companies Act does however impose a general moratorium on legal proceedings against a company in business rescue, with limited exceptions, including:

- the consent of the business rescue practitioner to bring legal proceedings against the company; and
- criminal proceedings being instituted against the company and any of its directors or officers.

The continued obligation to pay contributions raises the question of whether interested parties will have a concomitant right to enforce contribution payments through legal process while business rescue proceedings are ongoing.

The pension funds adjudicator ("adjudicator") considered this question in her 2013 determination, YN Landman v Wilenri Appliance Service Provident Fund and others (PFA/KZN/6286/2011/SM). Specifically, the adjudicator confirmed that "the fact that the [employer] has been placed under business rescue did not absolve it from its statutory duty to pay outstanding contributions".

The continued obligation to pay contributions raises the question of whether interested parties will have a concomitant right to enforce contribution payments through legal process while business rescue proceedings are ongoing

As adjudicator determinations are deemed to be civil judgments of a court of law, the adjudicator's ability to continue to hear complaints in respect of non-payment of contributions against companies placed in business rescue, is crucial to protect member's benefits.

While the adjudicator's conclusion is agreeable, it is regrettable that she reached her conclusion without the benefit of substantive engagement around at least some of the following areas of contention:

- no reference was made to the provisions of Chapter 6 of the Companies Act (the business rescue regime) at all;
- no reference was made to whether fund rules are contractual by nature and if so the implications thereof in business rescue proceedings; and
- no reference was made to whether the general moratorium on legal proceedings against a fund extends to the adjudicator's office.

It is hoped that jurisprudence in this area will continue to develop, confirming the adjudicator's decision, and providing further clarification regarding the technicalities surrounding the enforcement of the employer's continued obligation to pay pension fund contributions to retirement funds during business rescue proceedings.

Despite the uncertainty regarding whether the moratorium would prevent an application enforcing the payment of contributions, recent amendments to the PFA have introduced provisions which allow for the directors of a company to be held personally as well as criminally liable for the company's non-payment of contributions where the company is in default. It is thus suggested that companies strictly adhere to section 13A, even when undergoing business rescue proceedings.

Bridgette Mokoetle
Legal Executive & Company Secretary

THE **STEEL AND ENGINEERING** INDUSTRIES **FEDERATION** OF SOUTHERN AFRICA

SEIFSA is a national federation representing 27 independent employer associations in the metal and engineering industries, with a combined membership of over 2 000 companies employing over 200 000 employees. The federation was formed in 1943 and its member companies range from giant steel-making corporations to micro-enterprises employing fewer than 50 people.

SEIFSA
Steel and Engineering Industries Federation of Southern Africa
OUR PASSION, YOUR SUCCESS

SEIFSA **SPECIALIST DIVISIONS**

Economic and Commercial

- Promotes the interests of members in various national forums i.e. Busa, Nedlac
- Provides information and advice on various matters, including:
  - o Broad-Based Black Economic Empowerment (BBBEE)
  - o Contract Price Adjustment (CPA)
  - o Tender conditions and international trade issues
- Publishes updated SEIFSA Price and Index Pages (PIPS) tables monthly
- Economic Impact Assessments

Health, Safety, Environment & Quality

- Professional, affordable legal compliance health and safety auditing
- Consultation service covering all health and safety matters
- Environment Impact Assessment
- Quality and Environment Awareness training

Industrial Relations

- General industrial relations and labour law issues
- Bargaining council agreements and exemption applications
- Company-level IR policies, procedures and practices
- Company-level disciplinary enquiries and appeal hearings
- Dispute resolution
- Conciliation and arbitration proceedings
- Employee job grading

Skills Development & Human Capital

- Management briefings on strategic skills development matters
- Customised training interventions
- Consultancy services on a range of skills development initiatives including merSETA grant matters
- Skills auditing and training needs analysis
- Talent and succession management
- Performance management

Legal

SEIFSA Legal's objective is to resolve legal problems as quickly and as cost effectively as possible, minimising legal risks and achieving practical outcomes which make the best financial and commercial sense for the client.

- Labour Law Services
- Commercial Law Services
- Policy drafting and review
- Information and Training
- Environmental Law Services

Web: **www.seifsa.co.za** | Tel: **(011) 298 9400** | Email: **info@seifsa.co.za** | **0861 SEIFSA**

The Steel and Engineering Industries Federation of Southern Africa (SEIFSA) is launching the SEIFSA Awards for Excellence to encourage the steel and engineering sector to foster a culture of innovation and celebrate excellence.

SEIFSA AWARDS for EXCELLENCE 2015

28 MAY | 2015

Emperors Palace, Kempton Park

The Awards encompass the following categories:

- MOST INNOVATIVE COMPANY OF THE YEAR
- HEALTH AND SAFETY AWARD OF THE YEAR
- BEST CORPORATE SOCIAL RESPONSIBILITY PROGRAMME OF THE YEAR
- CUSTOMER SERVICE AWARD OF THE YEAR
- MOST TRANSFORMED COMPANY OF THE YEAR
- ARTISAN AWARD OF THE YEAR
- ENVIRONMENT STEWARDSHIP AWARD OF THE YEAR
- CEO AWARDS

Enter your company in the seifsa awards for Excellence and show case your achievements

The 2015 SEIFSA Awards for Excellence are open to all businesses in the metals and engineering sector within Southern Africa and will be based on work completed between 1 January 2014 and 31 December2014

For sponsorship, criteria and participation enquiries, please visit:
www.seifsaawards.co.za or
email: alison@brandvision.co.za
Mobile: +27 (0) 82 467 1213

SEIFSA
Steel and Engineering Industries Federation of Southern Africa
OUR PASSION, YOUR SUCCESS

SEIFSA

Steel and Engineering Industries Federation of Southern Africa

OUR PASSION, YOUR SUCCESS

SEIFSA Head Office

Tel: 011 298 9400

Fax: 011 298 9500

E-mail: info@seifsa.co.za

Web: www.seifsa.co.za

SEIFSA - Steel and Engineering Industries Federation of Southern Africa

6th Floor, Metal Industries House, 42 Anderson Street, Johannesburg, 2001

PO Box 1338, Johannesburg, 2000

ECONOMIC & COMMERCIAL EC

HEALTH, SAFETY, ENVIRONMENT & QUALITY HSEQ

LEGAL

INDUSTRIAL RELATIONS IR

SKILLS DEVELOPMENT & HUMAN CAPITAL SDHC