SEIFSA NEWS

SEPTEMBER / OCTOBER 2015

BUSINESS, LABOUR AND GOVERNMENT COLLABORATE TO SAVE SA'S AILING STEEL SECTOR

KEEPING YOUR EMPLOYEES MOTIVATED AND ENGAGED DURING CHALLENGING TIMES

EARTH FOCUS - THE BUSINESS CASE FOR ENVIRONMENTAL COMPLIANCE

SEIFSA

Steel and Engineering Industries Federation of Southern Africa

OUR PASSION, YOUR SUCCESS

SEIFSA Presidential Breakfast

Topics that will be addressed:

- **The State of the Nation**: Critical economic and political issues facing South Africa in the future by Daniel Silke
- **Keynote address** from the SEIFSA President

- Invite your senior executives and clients to this enlightening event
- Excellent opportunity to network with other people in the industry
- Group and individual bookings are welcome

Daniel Silke

Daniel Silke is an independent Political Analyst, Author and Keynote Speaker specializing in South African and international politics.

He has a specialist interest in political parties and elections and is a renowned Futurist lecturing widely on issues surrounding global change, volatility and the future of the world.

He is regarded as one of South Africa's leading political commentators and most passionate public speakers.

Date: 09 October 2015
Venue: The Forum, Wanderers Building, The Campus Office Park
Corner Sloane Street and Main Road, Bryanston
Fees for member: R595 per person
Time: 8:00 - 11:00

For bookings:
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SEIFSA
Steel and Engineering Industries Federation of Southern Africa
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DEAR READERS

We would like to inform you of the new changes regarding our SEIFSA News publication.

We have changed the number of issues for SEIFSA News from 11 issues to 7 bumper issues annually. The changes will occur immediately, hence for this calendar year, we will have only two issues remaining: September/October issue and the November/December issue.

These bumper issues will have both a printed and electronic format. We will be sending 2 400 printed issues to our targeted audience within our membership base. The electronic version will be sent to over 10 000 companies within the metals and engineering industry.

FROM THE CHIEF EXECUTIVE OFFICER'S DESK

The health and effectiveness of organisations depends, to a great extent, on the degree to which their members participate or take interest in their affairs. Generally, active or interested members make for healthy and more effective organisations.

No doubt, the same logic applies in the case of SEIFSA and its affiliated Associations, and in the case of the Associations and their member companies. This is particularly so when it comes to matters that require inputs, directions and mandates from members. It is critically important that such mandates are developed by the members, through a series of debates and discussions with and among one another, and then communicated to the entity that has the responsibility to carry out or discharge that mandate.

In our environment, the one example with which everybody will be familiar is the wage negotiations with the unions. Before their onset and during the whole process, Associations affiliated to SEIFSA discuss their positions among themselves and come to the meeting of the SEIFSA Council – which includes all member Associations – with mandates from their members, which they then articulate and debate with the other Associations. In the end, a common position emerges from the Council, which becomes the mandate given to SEIFSA.

Regrettably, even that process has not worked as well as it should have done. Weeks and months after the conclusion of the 2014 wage negotiations, which left a lot of unhappiness in their wake, colleagues and I had a series of companies that alleged that they were not involved in the internal formulation of mandates within their Associations. In essence, they claimed that they were kept in the dark by their respective Associations and were not informed about developments before and during the negotiations. In fact, many such companies did not even know the Associations of which they were members; all they knew was that they were "members of SEIFSA".

There is a lesson here for all of us: collectively, together with the Associations, we have to do everything possible to ensure that member companies are active within their respective Associations so that they can make themselves heard. Similarly, all Associations need

to be just as active within the SEIFSA Council so that they, too, make themselves heard in the formulation of mandates for the Federation.

Whenever I have shared these companies' sentiments with the elected leadership of member Associations, invariably those in leadership positions have argued that there has been a high level of apathy on the part of member companies. They have said that while they have scheduled regular Association meetings and made every effort to invite their members to those meetings, generally only a few companies have bothered to attend those meetings, with the usual companies represented.

On its own, SEIFSA has absolutely no authority to devise a negotiating mandate with the unions and to conclude a deal with them

Understandably, they have argued that it is difficult – if not impossible – to brief people who are absent from meetings and obtain a mandate from them. This, they have said, has been the reason why some companies have been angry with SEIFSA, labouring as they do under the false impression that the negotiated wage settlement was approved by the Federation when, in fact, it was approved by the Associations themselves. On its own, SEIFSA has absolutely no authority to devise a negotiating mandate with the unions and to conclude a deal with them.

Both positions are understandable: just as companies need to be active within and make themselves heard in their Associations, they also have to invest time to attend their Associations' information sessions and annual general meetings. Once the majority of them have taken a decision in their meeting, that decision is binding on all members of that Association. Similarly, once the majority of Associations have taken a decision at a SEIFSA Council Meeting, that decision is equally binding on all members of SEIFSA.

With different Associations currently holding their respective annual general meetings, and with the SEIFSA AGM coming up in October, it is important to conclude with a few remarks on corporate governance.

While companies should be active within their Associations and the latter should be active within the SEIFSA Council, once individuals from companies are elected onto the Executive Committees of Associations, it is imperative for them to understand that they are then required to serve the interests of their Associations. As members of their Associations' Executive Committees, they are required to advance the overall interests of their Associations, and not those of their respective companies. Otherwise, they would have a serious conflict of interest.

Similarly, once individuals have been elected onto the SEIFSA Board, corporate governance, in terms of the 2008 Companies Act, enjoins them to advance the interests of SEIFSA, and not those of their respective Associations or their own companies. Elected individuals who fail to distinguish between their individual company roles and those of the Association on whose leadership they serve are guilty of a serious conflict of interest, as are elected individuals who fail to distinguish between their individual Associations' interests and those of SEIFSA, once they are elected to serve on its Board.

I would like to take this opportunity to wish all Associations well as they hold their respective annual general meetings. I hope that they will emerge with leaders who understand their roles, in terms of corporate governance, and not those who may be tempted to use their positions on Associations' Executive Committees for their personal interests.

Finally, I would like to thank members of the SEIFSA Board for the service that they have rendered and continue to render selflessly to the Federation and for their full appreciation of corporate governance. The importance of the 2008 Companies Act for Boards, including our own, can never be over-emphasised.

Kaizer M. Nyatsumba
Chief Executive Officer

BUSINESS AND LABOUR MEET GOVERNMENT IN AN EFFORT TO SAVE SOUTH AFRICA'S BLEEDING STEEL SECTOR

On Friday, 21 August 2015, a watershed meeting took place between labour, business and government in Pretoria. The meeting was a shared initiative of labour, business and the steel industry associations, an attempt to put the brakes on the looming job loss bloodbath in the primary steel and related industries.

The labour delegation was led by Numsa General Secretary Irvin Jim and included the leadership of Solidarity, Uasa - the Union and Mewusa. The business delegation was led by the Chief Executive Officer (CEO) of ArcelorMittal (AMSA), Paul O'Flaherty and included the CEOs of Evraz Highveld Steel, Cape Gate, The Scaw Metals Group and Macsteel Coil Processing. SEIFSA President, Ufikile Khumalo, led the industry associations, while government's delegation was led by Ministers Rob Davies and Ebrahim Patel and included senior government officials from Public Enterprises; Trade and Industry; Transport and National Treasury. Transnet leadership was also in attendance.

The meeting was necessitated by a clear agenda of seeking government's firm commitment to reassess their policies which are contributing to sweeping away jobs in the steel industry.

The meeting was significant in relation to the fact that business and labour had approached government with one voice, irrespective of our differences. Together,

labour, business and the steel industry associations concluded a joint 10-page submission to government in which we sketched out our collective call for government to urgently address the current crisis in the steel industry, failing which we will be faced with a disastrous and devastating impact on our economy. The effects of which will be acutely felt by workers employed within the industry, the families they support and the many communities who rely on the industry for their livelihoods.

The submission provided carefully-researched information on the significant role played by the steel industry in the South African economy in particular the industry's' contribution in sustaining other industries of which the top five (automotive, mining, construction, energy, and infrastructure) contributes 15% to South Africa's gross domestic product (GDP) annually. We explained how the top five industries employ more than eight million workers, contributing some R600 billion to the economy annually.

While as labour and business we have our own issues and demands, we managed to agree on 10 core collective demands in our submission to government

We pointed out that steelmaking accounts for approximately 190, 000 jobs directly and a further 100, 000 jobs through suppliers. We demonstrated that the steel industry is a core employer in Vanderbijlpark, Saldanha, Newcastle, Germiston, eMalahleni and Nkandla districts, with 75% of households in Vanderbijlpark and Newcastle and 25% of those in Saldanha being dependent on the local steel industry for their livelihood. Among these and many more facts on the centrality of steel to our economy, we emphasised that all of these were at stake in the next six months to a year if not urgently addressed.

While as labour and business we have our own issues and demands, we managed to agree on 10 core collective demands in our submission to government. In brief these were:

1. Immediate trade remedies for steel
2. Designation of steel for local government infrastructure spend
3. Urgent rollout of government's infrastructure programmes
4. Transparency of current State Owned Enterprises (SoEs) capital programmes
5. Fair pricing for steel versus Import Price Parity (IPP)
6. Monitoring of imports
7. Urgent advancement of government's beneficiation strategy
8. Banning of steel scrap exports
9. Delaying the implementation of Carbon Tax
10. Establishing a steel crisis committee

The meeting with government afforded us the opportunity to share our submission on the key challenges facing this ailing sector, as well as our intervention proposals to save the industry from total collapse.

Government, through the Departments of Trade and Industry (DTI) and Economic Development (EDD) provided us with the work and initiatives underway on their end.

As government, business and labour we agreed that an urgent solution to the current crisis in the steel industry was required and further agreed that any solutions found should not negatively affect jobs in the downstream manufacturing industries.

While government recognised the challenges confronting the industry and indicated a clear willingness to support initiatives aimed at saving the industry, it pointed to the need to be mindful of ensuring that any interventions are not in breach of necessary regulations. At the same time government expressed its recognition of the slow speed in processing remedies. To address this government committed to setting up a joint DTI and EDD committee to explore the expedition of legal, regulatory agreements required to protect the industry from job losses.

The representatives from government present also indicated that they could not speak to the demands impacting on government Ministries not represented at the meeting.

In express relation to our demands and through our engagements with government, we have delivered the following partial victories;

A. ON TRADE REMEDIES:

Government indicated that they are happy to proceed with our demands, specifically:

- The first application for tariffs at 10% of the WTO bound rate would be signed off with conditions which are not yet finalised, but which will include a demand for industry not to raise the price of steel to unaffordable levels.
- The rest of tariff applications will be pushed through ITAC without prejudicing the process.
- AMSA would submit their first of five anti-dumping applications by the end of August 2015 and the rest as soon as possible, thereafter.
- AMSA will investigate with DTI and EDD what other avenues are available to fast track anti-dumping measures, for example, "provisional" anti-dumping, safeguard duties, etc.
- Further, government committed to looking at any other avenues to ensure protection of the industry.

B. ON DESIGNATION OF STEEL, LOCALISATION AND GOVERNMENT INFRASTRUCTURE PROGRAMMES:

Government indicated its commitment to support the local steel industry through designation and localisation in this regard:

- A group will be set up through the Department of Public Enterprises to look at how localisation could be created with state-owned entities (SoEs). Transnet committed to meet on their 1,000km p.a. rail upgrades.

C. ON THE BANNING OF EXPORT OF SCRAP METAL:

- Cape Gate and Scaw Metals will provide EDD with evidence as to where ITAC is not following the agreed directive and is allowing export permits as part of working towards the ban on the export of scrap metals.

D. ON THE TRAINING LAY-OFF SCHEME:

Government indicated that it would support processes more expeditiously if industry committed to alternatives, particularly training lay off schemes, rather than proceeding with retrenchments. In this regard:

- Government will facilitate the process of establishing a government, labour and business task team on the training lay off scheme, particularly to address the bureaucratic processes around the available scheme and to see how this could be used effectively for avoiding the imminent retrenchments.

E. ON SECTION 189 / RETRENCHMENTS:

- Business and labour would continue to work for solutions regarding the S189s already issued and the impending ones. Processes being followed by individual companies to find solutions will continue.

F. STEEL CRISIS COMMITTEE:

- While we would not set up a separate steel crisis committee, the team that met on the 21 August will meet again in 3 to 4 weeks' time to assess progress on agreements reached and plan further.

These partial gains we have secured will be shared with our individual constituencies, as we continue to navigate solutions to avert the imminent job loss bloodbath.

OUTCOMES OF THE MEETING

On 28 August, a week after business and labour representatives met with Government to seek possible interventions to be implemented to avoid the sector from shrinking further and shedding more jobs, Minister of Trade and Industry, Dr Rob Davies announced Government's decision to impose a 10% tariff on cheap, imported steel.

We at SEIFSA welcome this intervention, which we believe will make it possible for local manufacturers to compete in the medium to long-term. We will continue to engage Government, meaningfully, to prevent this strategic sector from withering into oblivion.

SEIFSA CELEBRATES WOMEN'S MONTH IN STYLE

The Steel and Engineering Industries Federation of Southern Africa (SEIFSA) recently hosted a successful Women's Day breakfast at the Country Club, in Johannesburg.

Attended by women in the metals and engineering sector, the breakfast, aimed at celebrating women in the sector, brought in seasoned image consultant, Chata Romano who presented a seminar on how women can improve their image while making great strides in the male-dominated metals and engineering industry.

AMONG OTHER THINGS, CHATA'S PRESENTATION COVERED:

- The importance of an acceptable image in all facets of a working women's life
- Style solutions that really work
- Understanding the different dress codes
- Corporate confidence overall

Throughout her career, Chata has helped thousands of women take charge of their image, giving them confidence and poise in their personal and professional lives.

Some of the (edited) comments received from the ladies who attended the breakfast:

"Just want to say thank you very much for the wonderful treat on Friday morning… great breakfast, very enjoyable and informative talks by Chata, gift bag and all. We were all really spoiled in the Celebration of Women. Many thanks again ☺ well done to all who were involved in organizing the event"

Mirja Parsons, DEMOS

"Thank you very much for the arrangements on Friday, it was an AWESOME morning ☺. Chata was funny, vibrant and entertaining. I found her session very informative and the tips invaluable.

I'm so glad I got the book too, I could not put it down over the weekend and want to apply as many tips as possible. Thanks again for a well organised event, delicious food, lovely gifts and an inspiring morning with Chata ☺ Please bring Chata back next year,"

Elsa Goncalves, KOMATSU SA

Delegates at the women's day conference

EARTH FOCUS -THE BUSINESS CASE FOR ENVIRONMENTAL COMPLIANCE

The recent prosecution of a director whose company contravened environmental regulations sent shockwaves through corporate boardrooms, pulling the issue strongly back into focus.

However, before company directors view compliance as a necessary evil, it is important to realise that compliance with natural law, and the law itself, has many benefits. The current focus is on the corporate sector, but governments can equally gain from intelligent, responsible compliance.

TIPPING POINT

Extremists warn that environmental degradation has reached a tipping point and if not actively addressed, humanity faces eventual extinction.

Having researched this topic fairly extensively, it seems clear that we as consumers are degrading and rendering unsustainable the very biosphere that sustains us. The earth is simply viewed as a resource for human consumption with scant consideration for eventual degradation and depletion.

The almost pathological obsession with economic growth and development is seriously destabilising the complex interdependence of our closed, delicately balanced ecosphere which is being degraded at a rate faster than it can recover.

Profiteering is certainly a major problem, exacerbated by directors thinking only in short time frames.

The planet will no doubt survive, as it has done for the last 4.5 billion years, but the biosphere is what keeps us alive and healthy. When calculating the increasing damage to land and sea, the possibility of eventual extinction may not be such an extreme view. Consider the damage that water, land and air pollution, resource degradation and climate disruption can do to our biosphere. If, for example, fracking goes ahead in South Africa, there exists a real risk that our precious underground water reservoirs, or aquifers, will be

compromised. Such destruction has a knock-on effect, impacting directly on water security which will exact its own price at a future date. Besides water quality, other externalised costs include community displacement, health, food security and related issues.

Being at the top of the food chain, humans are simultaneously consuming and destroying the earth's life-giving resources which could take centuries to recuperate.

HOW CLOSE ARE WE TO THE POINT OF NO RETURN?

The toxicity of our environment is unsustainable and already affecting the health of millions.

If future generations are to be given a fighting chance, government and the corporate sector need to manage energy systems more responsibly. This spans the entire spectrum including food, fuel, employment, electricity, alternative energy, entrepreneurship, legislation and much more. Profit is today's idol, worshipped by many in this increasingly unstable 21st century. The irony is that an exclusive focus on profit inevitably leads to loss of peripheral vision and this is becoming the Achilles heel for many non-compliant directors.

THE PARADOX OF COMPLIANCE

Compliance certainly requires investment, but a win-win scenario would immediately arise if directors interpreted 'return on investment' differently.

My prediction is that those companies who will survive and prosper will be those able to trade with some vision beyond corporate self-interest. The paradox is that by trading ethically, and operating in harmony with the natural and the human environment, the company often best serves itself.

While jostling for position at the feeding trough, profit-obsessed, short-term planners would do well to lift their heads, scan the landscape and re-think the advantages of operating in compliance with environmental laws. They will discover several surprising advantages.

THE CASE FOR COMPLIANCE

Efficiency is a first benefit. Directors will discover improved productivity through efficiencies which invariably accompany best environmental practices. Such efficiencies filter through to all levels of the corporate operation, sending a positive signal to the marketplace. Both staff morale and the corporate offering improve. This creates a positive feedback loop, resulting in healthy, sustainable growth.

A healthy corporate image through environmental compliance generates effective material for the advertising mill, for now there is 'a good story to tell'. Advertising becomes value driven, greener and more effective. If the organisation projects a responsible image and offers a quality product or service, the market will sustain it. This level of eco-advertising also provides a sound foundation on which to build a long-term branding strategy across a broad market base.

The paradox is that by trading ethically, and operating in harmony with the natural and the human environment, the company often best serves itself

Environmental compliance can open up new markets. This is due to an increasing number of customers, locally and abroad, requiring proof of compliance before signing purchase agreements.

Sustaining the environment is a worthy cause and cause marketing has proven its effectiveness. If approached authentically, such companies earn serious consumer trust points. All things being equal, the genuinely greener company will gain a competitive advantage - genuinely meaning directors who walk their talk and are worthy of trust.

Cape Town-based Hotel Verde is a good example of a leading green operation taking environmental compliance to a new level. Hotels don't come any greener and more environmentally compliant than this. The operation not only highly efficient, but makes its guests part and parcel of an uplifting green experience. Testimony to its success is the impact on the bottom line.

Another compliance benefit relates to carbon tax which the SA Treasury intends implementing in January

2016. Living in harmony with the environment leads to a smaller carbon footprint and reduced carbon tax.

Finally, there's that deeper satisfaction of knowing you are trading ethically and playing a responsible role in promoting and protecting the ecosphere. Respect for the environment reveals self-respect.

DEALING WITH NON-COMPLIANCE

It is becoming increasingly apparent that voracious consumerism is undermining the very biosphere that sustains us. One would hope that leaders will respond in time to what is effectively a self-destructive trend, and co-create a sensible, sustainable solution.

Until recently, capacity for enforcement has been low, but the landscape is fast changing. If one listens to what environmental advisors and protectors are saying, the compliance issue is gathering momentum. The first sign that enforcement is underway lies in the application of the law.

Apart from litigation, irresponsible organisations face mounting resistance on several fronts. Increasingly, the market place is becoming environmentally aware and today's information technology enables efficient tracking of air, land or water pollutants. Consequently, prosecuting unethical companies is becoming more successful and some organisations are making it their business to prosecute non-compliers.

The Centre for Environmental Rights (CER), is one such organisation. It is at the cutting edge of environmental change and driven by an impressive team of committed, environmentally trained lawyers.

"The law is the law", replied attorney Tracey Davies, CER's programme head for Corporate Accountability and Transparency, when I suggested that compliance might be costly, especially for marginal companies. "And where there is blatant flouting of environmental regulations, particularly where vulnerable communities are involved, we have no option but to take action."

She is not alone in this, but the CER proves that responsible concerned citizens are taking the fight to the polluter. CER's field of endeavour encompasses wetland degradation, biodiversity, air, land and water pollution as well as traditional territories which are often plundered for profit, especially in more remote areas of our pristine South Africa.

"But surely one cannot expect a company director to know all the ins and outs of environmental legislation?" I ventured.

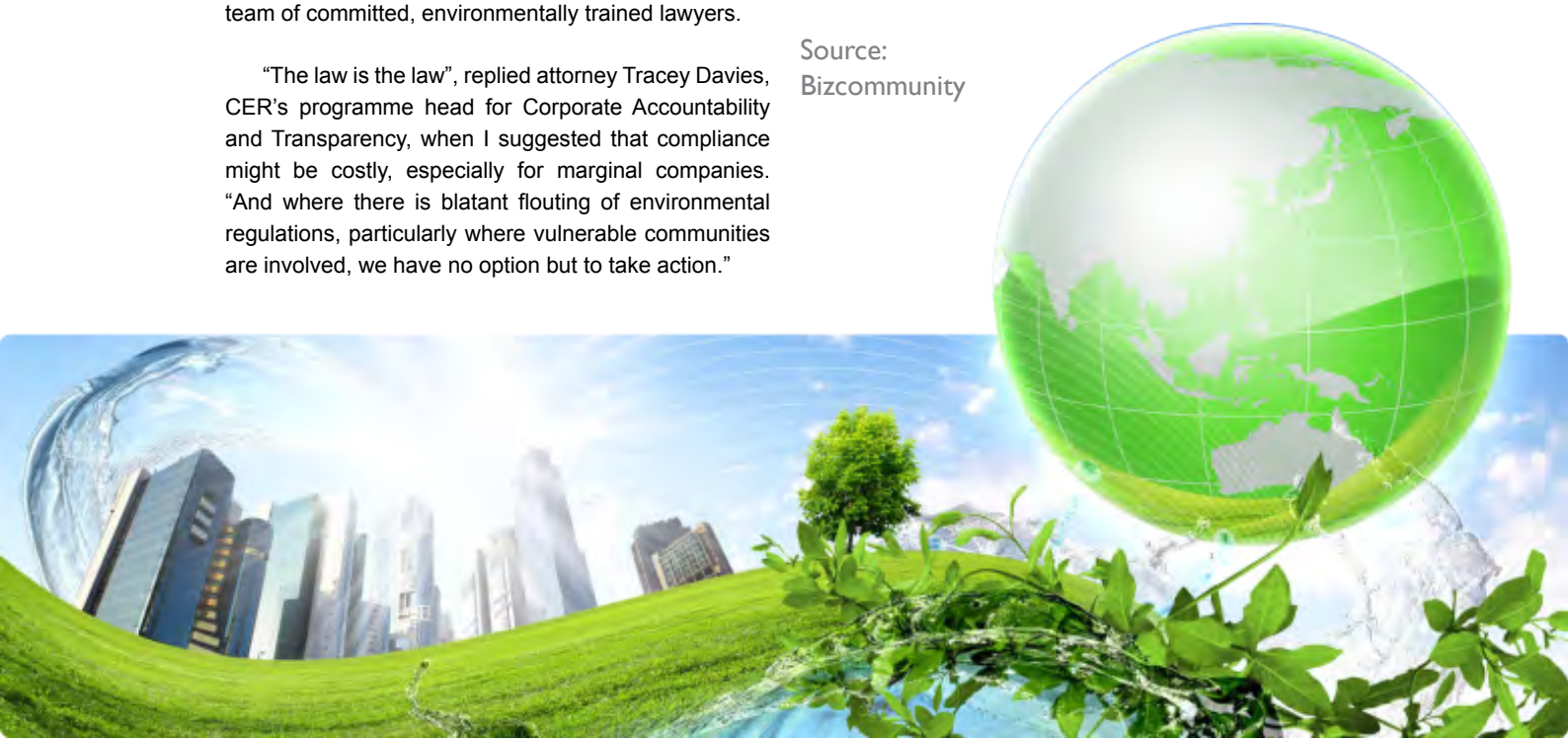
"Lawyers exist to advise directors on precisely that," returned Tracy.

Her experience suggests that in many cases, profit has overtaken ethics. Many companies blatantly lie or disregard regulations and this causes irrevocable environmental damage in the process. Rampant corruption is a further complication.

Another organisation with a powerful African presence is ERM (Environmental Resource Management). Being among the world's top sustainability consultancies, ERM offers knowledge leadership in the field of environmental health, safety, risk and social consultancy. When guided by such professionals, corporate decision makers in all sectors will discover the improved efficiencies and performances that accompany environmental compliance.

There's a profound wisdom in taking the high road and going beyond self-interest. By being environmentally compliant, decision makers will not only ensure their company's survival fitness, but will promote sustainable growth.

Source:
Bizcommunity



HOW SOUTH AFRICA CAN TRANSITION TO A **LESS ENERGY-INTENSIVE ECONOMY**

South Africa's energy sector has faced a crisis since 2008, marked by power cuts, high tariffs and a general inability to match supply and demand. This has led to a dismal picture being painted about the future of the country's energy supply and its impact on economic growth.

It is imperative that a solution is found to the current difficult situation. This is because energy plays a vital role in the growth and development of a country.

A priority for policymakers since the end of apartheid 1994 has been to provide energy to everyone. Since this target has nearly been achieved, the attention is shifting to the intensity of electricity use in South Africa.

WHAT WILL IT TAKE TO ACHIEVE GREATER EFFICIENCY?

There are three key areas that can lead South Africa towards greater energy efficiency, as well as reductions in carbon emissions. These are:

- technological innovations for energy efficiency;
- changing the energy supply mix; and
- promoting structural changes in the economy.

All these can be combined in national energy policies and strategies, but they differ in two points: the time horizon of the results and the risk of outcomes.

The introduction of technological innovations that can achieve higher energy efficiency levels depends heavily on the availability and cost of the innovations. It also depends on the receptiveness in sectors where they will be adopted.

Changing South Africa's energy supply mix won't be easy because of the abundance of coal. In addition, and possibly more importantly, the state-owned power utility Eskom's fleet of power stations runs mostly on coal.

Equally, the sectors which drive the economy are energy intensive. They are also important sources of employment, investment and income. Historically the country primarily promoted mega industries that use a lot of energy and are capital-intensive. Until 2008-09, South Africa's comparatively low industrial electricity tariffs attracted significant investments in

traditionally energy-intensive sectors such as mining and manufacturing.

These industries are inflexible and slow to change. For example, once a major investment has been made in the construction of a smelter, opportunities to change to more energy efficient technology or production process are limited.

The government appreciates the need to reduce the energy intensity of the economy over the long term. This year's budget made specific mention of the need to promote growth in tradeable and services sectors that consume less electricity per unit of output.

But it will take more to bring about any meaningful change. To achieve the shift in the economy without affecting output and production, economic and industrial policies should be combined with efforts from energy policymakers.

It would be helpful to adjust the incentives and tariffs that attract energy-intensive investments. Incentives should be directed to low-emission and low-intensity sectors. By lowering the cost of energy, input costs would come down and South African exports could achieve greater competitiveness.

Admittedly, the trade-off and eventual balance is difficult and requires financial and political support from various stakeholders. Of critical importance is the co-ordination of various policies. A concerted effort should be made by all government departments involved with South Africa's economic sectors. This can only be achieved by all inclusive debate and design over time.

The transition from a resource-based economy to a knowledge, service and quality of human capital based economy requires information, education and research and development. Any new strategy therefore needs to include investment in research activities that will show the way to innovative solutions. Areas to be explored could include structural changes in the economy as well as more efficient ways to consume energy.

In this transition, South Africa should also investigate alternative fuels that will make even the high energy intensive sector's consumption cleaner and more environmental friendly. For this, a properly planned, organised, managed and monitored market for renewable energies needs to be put in place. This needs to be combined with a comprehensive policy to provide consumers with alternatives to "dirty" fossil fuel-based energy.

Finally, how else can this transition be promoted? There is one thing that all sectors, industries and firms are interested in - economic gain and profits. Instead of penalising intensive users, which happens with a carbon tax, an alternative would be to incentivise them. This could be done by introducing a reward programme, such as an emissions trading system, or, even more suitable to South Africa, an energy-intensity trading scheme.

By trading credits of energy intensive use, the sectoral users would aim to reduce their energy consumption as well as trade their credits for additional profits.

South Africa is a unique case with a number of inherited socioeconomic challenges and difficulties. But its energy policymakers have started aiming at more fundamental changes rather than the recent short-term solutions.

Structural economic changes and an effort to shift the economy to sectors with lower energy consumption and a smaller footprint will certainly take more time, and even more funding, to bear positive results. But the impact will be more permanent and sustainable.

Source:
Bizcommunity

VOLUNTEERING COMMUNITY SERVICE IS PART OF THE LAFARGE SOUTH AFRICA CULTURE

Lafarge is a member of the Light Engineering Industries Association that is federated to SEIFSA.

Lafarge South Africa, a member of the LafargeHolcim group, the world leader in the building materials industry, views its operating sites as integral parts of local communities. "We have a responsibility to help turn them into sustainable, healthy societies. In keeping with a world-wide group volunteering programme, all our employees are encouraged to contribute time to bettering the circumstances of less fortunate communities,"says Lafarge South Africa's Country Communications Manager Unathi Batyashe-Fillis.

In the company's drive to give meaning to building better cities, it continuously responds to the challenges presented by the global trend to urbanisation and commits to using its technical strength to contribute solutions for constructing more sustainable and beautiful environments for all people to live in. In South Africa, the emphasis is on building better communities, which are the heart of our cities, rural towns and villages.

Illustrating the strong volunteering spirit, over 120 Lafarge South Africa employees and their families took part in the 702 Walk the Talk event on Sunday 26 July as part of the company's Mandela Day celebrations. The cause for the walking team was the company's local brand statement of building better communities, with a portion of each entry going towards a community legacy project.

Another Mandela Day initiative by a group of employees was volunteering 67 minutes of their time

to "Pamper a Pooch" at the Wet Nose animal shelter in Bronkhorstspruit, where the volunteers walked and groomed the animals.

The company's Youth Day celebration in June saw 23 employees volunteering their time to host a group of Grades 10-12 learners from the Fons Luminis Secondary School in Diepkloof, Soweto. Lafarge South Africa had previously renovated and equipped two science laboratories for the school. The learners were given a valuable insight into the work of the company's Quality Department Southern Africa (QDSA), one of the country's most highly regarded cement and concrete laboratories. It is also a sought after training facility for a limited number of science students each year, providing them with unparalleled opportunities for experiential training in various disciplines, enabling them to obtain their qualifications and gain work experience.

The learners also visited the Orlando Stadium in Soweto, decked out in its new Lafarge branding, reflecting the company's recent sponsorship agreement with the Stadium. In terms of this agreement, Lafarge South Africa is in the process of establishing a skills development centre at the Stadium, to give back to the local community by training emerging building entrepreneurs and contractors.

"We are a caring company and believe that a key part of uplifting local communities is helping the children receive a proper education and guidance in finding a suitable career," says Batyashe-Fillis.

Caring for those in need: Lafarge South Africa volunteers helped at the Wet Nose animal shelter on Mandela Day. (Back l to r:) Zelda Smith, Chris Ndzwanana, Sam Morris, Christina Morris, Marshall and Cleo Beukes, Carol Eloff, Kesia Beukes, Manogerie Naicker, Claudeane Naidoo, Jason Groenewald, Yvonne Eloff.

(Front kneeling:) Bertus Weber, Lizelle Weber and Wendy Woolf.

QUALITY MANUFACTURING METHODOLOGY IS KEY TO EXTENDED CRC LINER LIFESPAN

Rio-Carb is a member of the South African Engineers & Founders Association that is federated to SEIFSA.

Chromium Carbide (CrC) long life wear plates can significantly improve operational efficiency and reduce maintenance costs in industrial applications – but only when manufactured and handled according to strict guidelines.

The manufacturing methodology of CrC can affect the quality, consistency, integrity and wear properties of long life liner plates and it is, therefore, of the utmost importance that industrial operations make use of quality certified CrC products for the material handling process.

The manufacturing of CrC Liner Plates have vastly improved since the product was first introduced to the market 35 years ago, with top liner plate expert Rio-Carb playing a leading role in advancing technology and developing innovative variations in manufacturing methods.

What's more, Rio-Carb is the only CrC liner plate and equipment manufacturer whose welding standards are compliant with the internationally-recognised American Welding Society (AWS).

Company Managing Director, Martin Maine reveals that local South African welding standards do not make provision for CrC welding, which requires specialised techniques. "The welding of CrC faces risks if not carried out in accordance to certain specifications," he warns.

Maine indicates that the biggest challenge with CrC is to get the weld beads smooth, as rough welds immediately create more cavities and disturbances to the material flow. "Customers need to be wary of companies that do not have certified welding processes as this may cause major future problems."

According to Maine, there is a general lack of knowledge and understanding about the use and advantages of CrC in the local industry. As a result, Rio-Carb moved into a new production factory with state-of-the-art equipment and technology.

"This provides CrC designers and users with first-hand experience and detailed information for the application of this unique material. To remain ahead of the game, we are also currently in the process of improving our overall quality management standards by becoming ISO 9001-2008 certified," adds Maine.

Maine highlights that Rio-Carb is currently expanding its geographical footprint by working closely with a maintenance engineering company that specialises in site installations. "This compliments our comprehensive sales team that comprises of representatives and agents throughout South Africa."

Independent laboratory testing has proven that CrC provides eight to ten times the wear resistance against abrasion when compared to industry-standard 400 and 500 Brinell steel. Furthermore they are susceptible to annealing if heated above 350°C whereas CrC has hard chrome carbides in the steel base and they are not affected by heat up to 700°C.

"As the balance between cost effectiveness and reliability becomes increasingly important, industries will be looking for new and improved methods to effectively transport abrasive materials, and the demand for excellent quality and genuine CrC products will increase," Maine concludes.

SEIFSA WELCOMES **NEW MEMBERS**

THE FOLLOWING COMPANIES BECAME MEMBERS OF ASSOCIATIONS FEDERATED TO SEIFSA DURING JULY / AUGUST 2015.

ACS Refrigeration t/a African Cooling Systems
SARACCA

Airconditioning & Refrigeration Spares (Pty) Ltd
SARACCA

Airwise Airconditioning & Ventilation (Pty) Ltd
SARACCA

AR Refrigeration & Airconditioning
– SARACCA

Bluhm Burton Engineering (PTY) LTD
SEIFSA Associate Membership

Cape Automation Systems (Pty) Ltd
SARACCA

Chryso South Africa (Pty) Ltd
EIFSA Associate Membership

Cool Breeze Airconditioning & Refrigeration
SARACCA

David Swart Engineering Services
Constructional Engineers Association
(CEA Division)

Ekurhuleni Airconditioning
SARACCA

Electro Systems
South African Engineers & Founders Association

Fhata Construction Group
SARACCA

GND Engineering
South African Engineers & Founders Association

Gordonia Verkoelings Dienste BK
SARACCA

Imbewebhle Airconditioning & Refrigeration
SARACCA

LA Labour Consultants & Service
Constructional Engineers Association
(LBD Division)

LiquidLogic (Pty) Ltd
SARACCA

Majo Technologies & Projects cc
SARACCA

Moyizela Building & Construction (Pty) Ltd
Constructional Engineers Association
(CEA Division)

Mpumamanzi Group cc
SEIFSA Associate Membership

MSA Africa (Pty) Ltd
South African Engineers & Founders Association

Multistage Cooling cc
SARACCA

Mumy & Sons Projects & Construction
SARACCA

Nepanyane Labour Outsourcing
Constructional Engineers Association (LBD Division)

Nkopetsi Fleet (Pty) Ltd
SEIFSA Associate Membership

Nomac IAE Bokpoort (Pty) Ltd
South African Engineers & Founders Association

Phek Engineering & Supply
South African Engineers & Founders Association

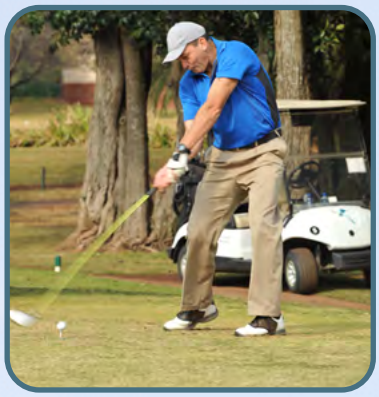
SI Sebenza Nomoyo (Pty) Ltd
SARACCA

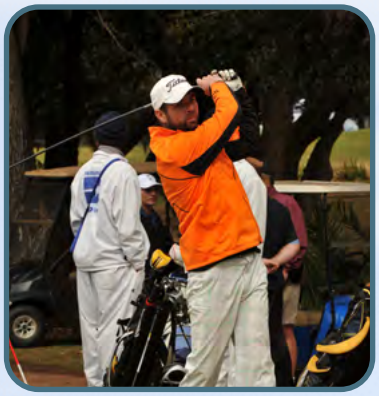
Sizabo Steel Merchants (Pty) Ltd
Constructional Engineers Association (CEA Division)

Tinko Truck & Trailer cc
Constructional Engineers Association (CEA Division)

Ufudu Specialised Space Solutions (Pty) Ltd
Constructional Engineers Association (CEA Division)

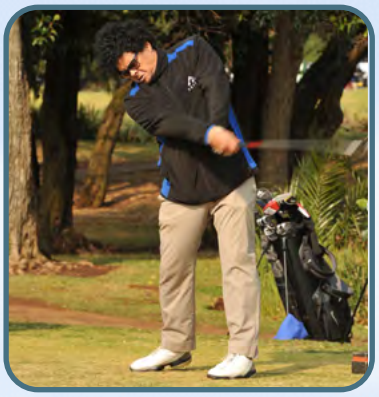
Zehlile Engineering & Projects cc
SARACCA





The winning team - Boitshoko Road Surfacing and Civil Works

SEIFSA'S **ANNUAL GOLF DAY**



The 65th SEIFSA Golf Day was held on 24 July at the Glendower Golf Club. Despite the cold and rainy weather, the game was a resounding success with a full field of 168 players.

The master of ceremonies, Joey Rasdien, participated in the SEIFSA team and he also entertained the guests and players at dinner.

The competition was a four ball alliance with two scores to count. The winning team was Boitshoko, with a score of 92.

SEIFSA would like to thank the following organisations for sponsoring holes and prizes: Cirgon Group, ABI, Weldamax, Sigma Coatings, merSETA, Shereno Printers, SAGE, Nicro Industrial, Sach Warr, Transman, Africa Steel Holdings, Boitshoko and Glendower Golf Club for their support in sponsoring holes and prizes.

CHINA

Taiwan steel exports fall almost 20 per cent

Taiwan's steel exports for the first half of this year fell almost 20 per cent as oversupply sent product prices into a tailspin, according to the Ministry of Economic Affairs (MOEA). The MOEA said that expanded steel production capacity in China, one of the largest steel suppliers in the world, has exacerbated the global supply glut, adding that the impact from the oversupply was more visible in the Asia-Pacific region.

The ministry said that as the world's economy showed signs of weakening, demand for steel products has been on the decline, dragging product prices even lower, which hit exports of Taiwan's steel exports hard over the past six months. Statistics compiled by the MOEA show that from January to June steel exports fell 19.4 per cent year-on-year to US$4.3 billion. China, which is the largest buyers of Taiwan's steel exports, accounting for 13.7 per cent of total outbound sales, ahead of the United States with 12.8 per cent and Japan with 6.7 per cent, the data indicated.

During the same period, steel exports to China fell 17.7 per cent from a year earlier following the imposition of additional duties on steel product imports in July 2014 by the Chinese government, the MOEA said. Taiwanese steel exporters have also been impacted by the depreciation of the Japanese yen over the past six months, which has resulted in a 24.3 per cent decline in exports to that country from a year earlier, the ministry added. Exports to the U.S. fell 0.5 per cent year-on-year. Taiwan's steel imports for the first half of this year totalled US$4.2 billion, down 17.2 per cent from a year earlier, the MOEA data showed. The ministry said that Japan was the largest steel supplier to Taiwan, accounting for 30.7 per cent of total imports, followed by China with 25.4 per cent, Russia with 8.1 per cent and the United States with 7.3 per cent.

In the first five months of the year, production value in the local steel sector fell 9.7 per cent from a year earlier to NT$464.1 billion (US$14.64 billion), the MOEA said. Of the many steel product categories, hot rolled steel plate makers suffered the steepest decline in output, which dropped 21.6 per cent from a year earlier to NT$99 billion, the ministry added. The production index for the local steel industry fell 2.1 per cent year-on-year for the first five months of the year to 98.46, with the sub-index for the hot rolled plate segment down 7.7 per cent from a year earlier, the MOEA data showed.

China Post
Reuters

CHINA

China iron ore futures extend gains as spot stays firm

Dalian iron ore futures rose to a one-month high in September as spot prices of the steelmaking ingredient in the world's top consumer China stood firm amid low port inventories.

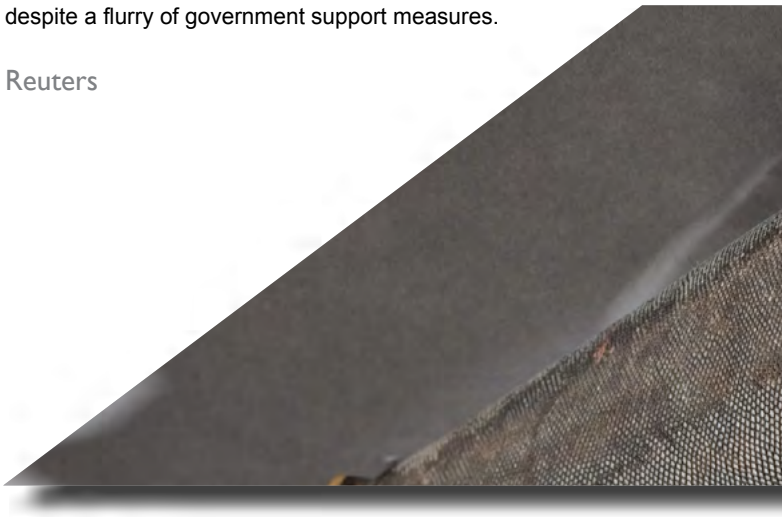
The most-traded January iron ore on the Dalian Commodity Exchange hit a session high of 395.5 yuan ($62.11) a tonne, its highest since July 3. It was 1 per cent higher at 389.5 yuan a tonne by the midday break. "Iron ore inventories both at ports and steel mills are relatively low, while shipment to China is expected to remain lean over the next two weeks, supporting spot prices," said Li Wenjing, an analyst with Industrial Futures in Shanghai.

The benchmark futures, after excluding the 17 per cent tax and port fees, are about $8 a tonne lower than spot prices, Li added. Iron ore for immediate delivery to China's Tianjin port climbed 0.36 per cent to $55.7 a tonne on 1 September, according to The Steel Index. The steelmaking commodity gained 5.3 per cent in August but has lost 21.8 per cent this year.

However, the increased supply later in the year and the persistent weakness in steel prices amid a cooling economy are expected to curb the upside for the raw material. "We are afraid prices are likely to fall and so we do not want to buy cargoes at the moment," said an iron ore trader in the Shandong province.

The January rebar contract on the Shanghai Futures Exchange traded almost unchanged at 1,964 yuan a tonne by the midday break. China's factory activity contracted at its fastest pace in three years in August, an official survey showed, reinforcing fears of a sharper slowdown in the world's second-largest economy despite a flurry of government support measures.

Reuters



AUSTRALIA

NSW workers discuss future with BlueScope

More than 600 workers have met with BlueScope management over plans to axe 500 jobs from the Port Kembla steelworks in Wollongong, Australia.

The company in the last week of August warned its 5000-strong workforce would be slashed as it looks for $200 million in savings it says it needs to maintain production in Australia. Wayne Phillips, from the Australian Workers Union, said the meeting was an opportunity to "sort out the blues between us and the company. We have one shot at trying to restructure the company to take these costs permanently up, I know we can do it, but it may leave a sour taste in the mouth," he said.

"We don't like it but I know we have to do it to keep our industry, we have to keep the steel work here." BlueScope confirmed the company will start mediating with the unions in September.

NSW Opposition Leader Luke Foley called on the Baird government to support Bluescope's Port Kembla operations by cutting imposts like payroll tax. "We are extremely concerned about the prospects for BlueScope Steel," he told reporters in Sydney.

"We've put a range of options on the table including relief from state government taxes and charges for the company, at least in the short term and of course the question of minimum Australian content in major government projects is something that the government ought to be considering."

9News

USA

US opens anti-dumping probe on US$2b in steel imports

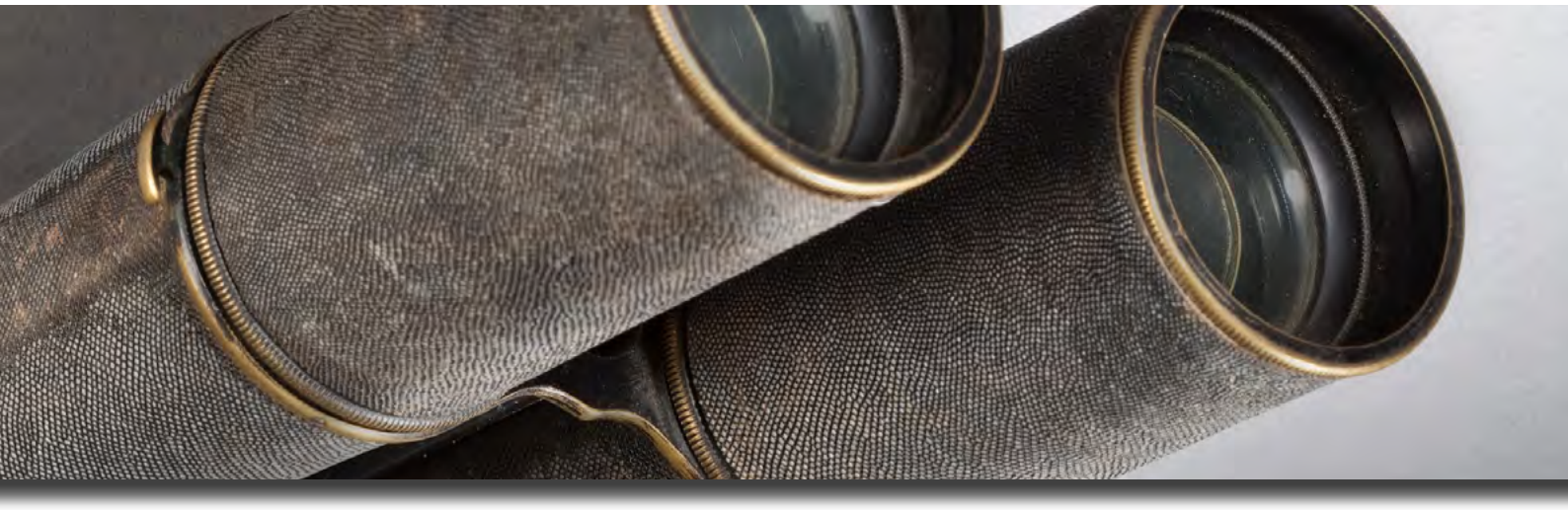
The US Commerce Department launched a probe on 1 September into alleged dumping by several foreign steel producers accused of undercutting America's domestic industry. US officials said seven nations were involved in under-pricing some two billion dollars' worth of steel: Australia, Brazil, South Korea, the Netherlands, Britain, Japan and Turkey.

Japanese producers were selling hot-rolled steel flat products into the United States at 16 per cent under the market prices while producers from Turkey discounted their steel by one-third.

South Korea is the largest supplier of cold-rolled flat steel to the United States, exporting US$678.8 million worth last year. The probe was brought on behalf of major US steel producers who have been hit with competition from cheaper imports as the global steel industry endures a supply glut, mainly due to China's downturn.

The Commerce Department said it would reach a preliminary determination on the probe by September 25 and could set anti-dumping and anti-subsidy duties beginning as early as November.

Business Times



A STRONG PARTNERSHIP BETWEEN GOVERNMENT, BUSINESS AND LABOUR IS NEEDED URGENTLY TO PREVENT THE METALS AND ENGINEERING SECTOR FROM WITHERING INTO OBLIVION

Without doubt, the metals and engineering sector is going through a fundamental structural adjustment, and not just a cyclical correction. From 1994 the sector grew for 14 years by 94% until the international financial crisis of 2008-2009 hit South Africa, resulting in a 21% contraction in output that year (2008 to 2009). Since then the sector expanded by about 6%, but the level of value added to the economy today is still 16% lower and output is 25% lower than the peak of 2007/8.

Profit margins peaked in 2005 and thereafter halved from an average of 10% to 5% (nine years from 2006 and 2014). Fixed investment in the sector halved from its peak of over 6% in 1994 to 3% since 2000.

The sector buys inputs from mining, quarrying (42%), intermediary machinery and equipment (37%), electricity and gas (4%), in addition to transport costs (4%) and other inputs (13%). Thirty-six percent of these inputs are imported. The sector uses these inputs and adds value to produce its final products. Among the value added are compensation to employees (76%), investment in equipment and machinery (15%) and a net surplus/profit margin (2,5%) and direct and indirect taxes (5%). Of its final production, the sector exports 58% to the rest of the world, with the domestic market share of imports being 57%.

International commodity and metals price cycles have a fundamental impact on the sector. Where metal prices were increasing by 60% during 2006/7, they declined by 50% during 2009, only to recover during 2010 and relapsed again since (currently 40% below 2007 levels). Prices for SA exports are also depressed and may continue to be so for a long time. Research shows that metal price cycles last on average 35 years: the latest cycle started in 1999 and reached its peak in 2007 and the downswing has already lasted seven years. This means that there may be another 10 to even 20 years of depressed markets left.

Logically, depressed commodity prices should have lowered the domestic raw material basket of input costs. However, this has not happened due to structural rigidities in the South African market and the weaker exchange rate. Imported machinery and equipment, on the other hand, did become cheaper due to incentives and price distortions in the exporting countries. Lower imported costs, coupled with domestic electricity and labour production instability, have resulted in the near-doubling of imported intermediary inputs from 20% to nearly 40%.

Energy, transport and logistics costs represent 8% of input costs. Although each seems small, both are absolutely essential and their combined actual cost constitutes a dent on profits.

Unplanned electricity outages have risen from 1% in 2005 to 15% today, and these can cost the sector production losses of up to 25%. The South African Reserve Bank calculated that electricity shortfalls can cost the country 0,5 percentage points of GDP growth, which means 25% lower growth. Most energy-intensive users are still consuming below their 2008 levels and the opportunity costs of installing emergency and standby capacity is a staggering 35% of all investment in the sector in 2013.

It took 10 years to reach this constrained point. The current instability is likely to last for two to three years.

Therefore, efficient and effective logistics and freight arrangements are critical for the sector's competitiveness and survival. The considerable cross-subsidisation from cargo owners to primary exporters and vessel owners is a major concern. Cargo owners still pay a premium of 540% compared to world standards, and the costs of using the container ports is still at a 166% premium above world standards.

Value add in the sector represents 21% of production and is made up of compensation for employees (76%), allowance for depreciation (15%) and net surpluses of three percent. Six percent of value add was paid in taxes in direct and indirect taxes in 2014.

The extreme volatility in the economic environment since 2007 made planning virtually impossible. The international financial crisis was a classical black-swan event. Export and domestic demand almost came to a standstill, while commodity prices collapsed, recovered and collapsed again within three years. Nationally the metals and engineering sector experienced a mini-boom due to the upturn in demand as a result of the investments around 2010, and fixed investment in the sector recovered slightly up to 2012, after it had earlier halved in reaction to the crisis.

This was uncharted waters. Capacity under-utilisation in the sector continued and profit margins as well as fixed investment spending did not recover.

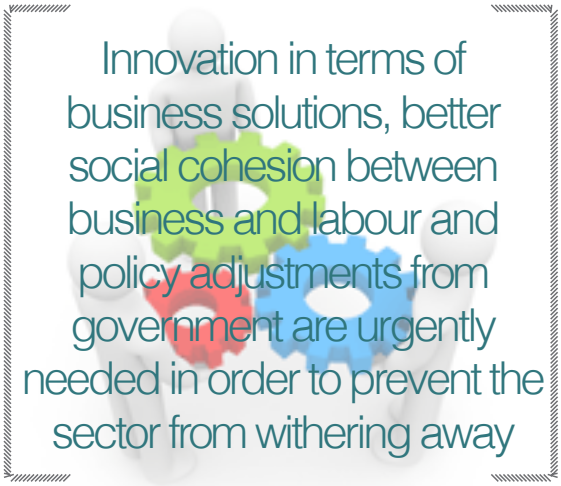
Within this tumultuous period, wage negotiations in the sector had to contend with strikes which lasted for a week in 2007, two weeks in 2011 and a full month in 2014. Coupled with the "Marikana effect" on wage negotiations, the settlement reached in 2014 resulted in the share of compensation of employees as a percentage of value added shooting up from 55% in 2007 to 76% in 2014, and the share of profits available for re-investing dropping to such a level that the survival of many companies in the sector is today in doubt.

The sector sells about 40% of its production to the domestic market and exports 60% to the world market. Domestically the sector is critically linked to the mining, construction and auto sectors, which as a group directly contributed 17% (R570 billion) to the gross domestic product of the country in 2014 and, depending on the indirect and induced multipliers, up to twice this number. They export and earn up to 80% of the country's foreign exchange and directly employ about 1,7 million people.

These vitals sectors are one another's customers and suppliers, which means that instability affecting one sector inevitably affects the others. This is particularly so in the case of labour disputes. Consecutive strikes in mining, construction, the transport industry (2013), the auto industry and then in platinum mining and the metal and engineering sector (2014) succeeded in creating reciprocal demand disruptions for these sectors, causing scaled-down production or complete closure of plants.

Furthermore, these four sectors are very electricity intensive. Therefore, they are almost equally hard hit by electricity outages which disrupt production, lead to under-utilisation of production capacity and higher costs, substitution of locally-manufactured products by imports, the threat of not fulfilling export orders and losing contracts, as well as uncertainty about the viability of fixed investment.

Only the auto sector shows growth on the back of exports, while mining and construction are limping along at pedestrian growth rates, if at all.



Export demand is driven by world economic growth, which has itself been fairly pedestrian in recent years. According to researchers and the World Bank, it is likely to take a long time before real global growth that may result in increased world trade takes place.

The consequences of the rise of China and India, as well as the structural adjustments taking place in those economies, will be significant. There are massive surpluses generated in those markets, which find their way onto the world market. The current rebalancing taking place will shift their input demand patterns downward permanently. Demand out of Africa could decline in sync, due to its dependence on Chinese demand for its commodities for its own growth. The locomotive power of the Chinese economy of the last 20 years will not be repeated.

The metals and engineering sector – with its symbiotic relationship with the auto, mining and construction industries – is going through a structural correction on its development trajectory. Innovation in terms of business solutions, better social cohesion between business and labour and policy adjustments from government are urgently needed in order to prevent the sector from withering away.

Henk Langenhoven
SEIFSA Chief Economist

KEEPING YOUR EMPLOYEES MOTIVATED AND ENGAGED DURING CHALLENGING TIMES

It is fairly well known that the metals and engineering sector in South Africa is experiencing some of the most difficult economic times in its history. News and various media are plagued with stories about staff cuts, business shutdowns and a generally ailing economy. Office talk is centered on how tough things are and how all seems to be going downhill. The "office grapevine" is rife with theories of retrenchments or closures and almost every conversation amongst staff is thick with negativity and despondence. Everyone seems to be making an "online bee-line" to their LinkedIn profiles searching for the next opportunity and having "engaged employees" seems like a distant memory.

The question that needs to be answered is, how do I motivate my employees in these challenging times and how do I keep them engaged? It is no secret that keeping employees motivated and engaged is one of the primary keys to business success. When times are good and the economy is positive, it is not challenging nor is it difficult to keep employees motivated. It is when the economy is difficult or the business is challenged financially that it becomes a significantly more serious issue. Gina Gardiner in her article "10 Ways to motivate your team during a recession" provides us with some tactics to keep in mind when times get tough and motivated employees mean make or break for the business.

a) It is important that staff believe in what the organisation stands for

A mismatch of values between the organisation and the workforce will cause stress and a sense of dissatisfaction within the individual.

b) Have integrity

Trust must be earned and it is vital that there is trust between leader and those who are led. When this is in place the team can face the most challenging circumstances together. Without it the future is bleak. We live in a time where politicians and many organisational leaders are disingenuous or economical with the truth. Once trust has been destroyed it is almost impossible to reinstate it. People are not as fragile as you think. Being honest does not mean being brutal. Stating the case clearly and being up front, even when the message itself is unpopular, is far less damaging in the long run than trying to make things look like something they are not.

c) Be consistent

Dealing with an inconsistent set of expectations or messages or people who blow hot and cold creates a sense of uncertainty which is damaging. There should be a consistent approach to decision making. Staff should be confident that decisions are being made for the right reasons and that decisions will be changed only when there is a valid reason. Moodiness and having favorites within a team is never acceptable. There is no room for ego in the successful team or organisation.

d) Value each individual and the contribution they make

Feeling that they are valued as individuals by the organisations success has a consistently higher rating as a successful motivator than money alone. This must be done from the heart and not as a mechanistic process.

e) Give staff a voice which is heard

When staff have high levels of stress, this comes from where people feel that they have no control over what is happening. Creating the opportunity for people to have their say, to be listened to and a real opportunity to influence what is to happen can significantly reduce stress and dissatisfaction.

Many decisions are taken without reference to those who do the job on a daily basis. Using their skill, experience and expertise can save costly time and mistakes. It makes sense on so many levels yet it is often neglected.

f) Create explicit realistic expectations

Creating expectations which are dashed creates huge levels of dissatisfaction on both sides. Only promise what you know you can deliver and be entirely up front about what you expect from them. When an organisation has clear, high, explicit expectations of staff, it is far easier to have the hard conversations. When people feel they have been fairly dealt with, they are much more likely to take the lessons on board. They cannot hide behind their indignation that things were unfair and as a result have to take responsibility for their part in the situation.

g) Give staff a sense of certainty

Certainty or safety is one of the most basic needs. It is possible to give people a sense of control and safety even when there are huge levels of uncertainty around. The language used has a huge impact on whether people feel secure or not. Being truthful and involving people early on in the process can really help. It is the not knowing and feeling that you are being kept out of the loop which creates the most anxiety. It is not so much what you do but the way in which you do it which makes the difference. For example redundancy is likely to create huge levels of uncertainty and anxiety. This can be minimised by involving people in discussion early on and in keeping them informed with the most up to date information. Providing support to help them prepare to be on the job market once again also makes a significant difference to the experience.

h) Involve staff in finding a solution

When each individual within the team takes responsibility not only for their own contribution but also for doing everything they can to help each other to contribute fully, the team becomes incredibly powerful. Your people are your treasure; they each bring skills and expertise much of which remains untapped. Are you making the most of yours?

i) To motivate your staff you need to know what motivates them

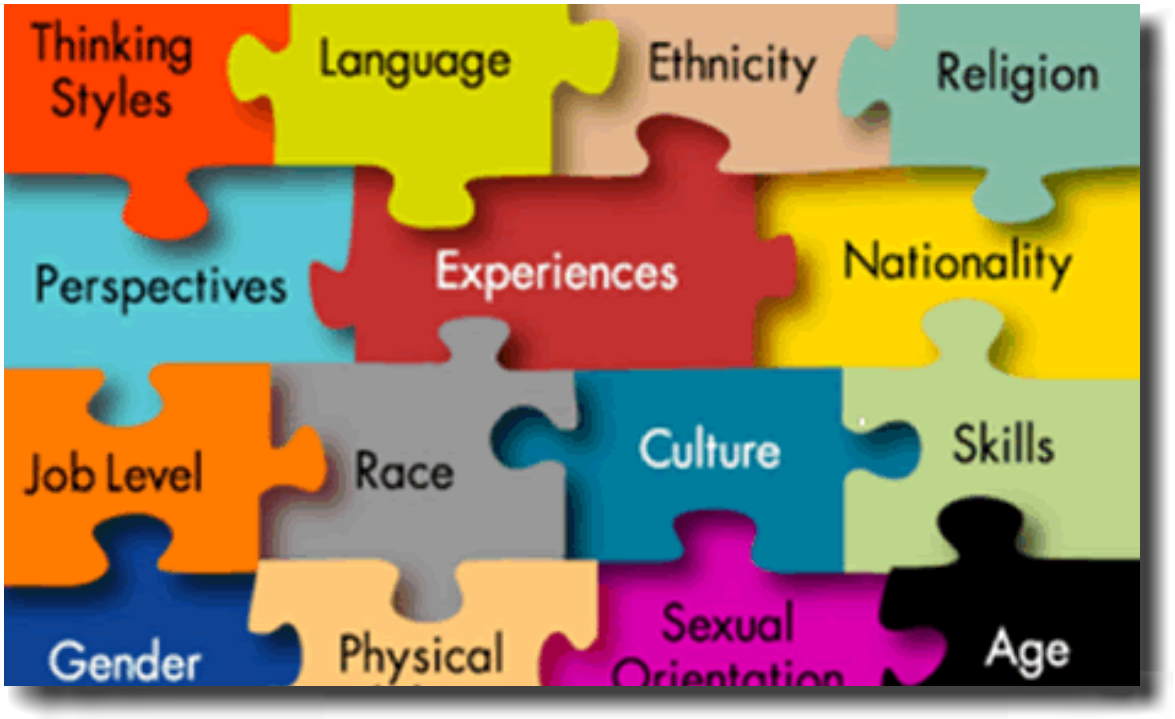
Listen carefully and you can discover what motivates them. The language they use, the actions they take can inform you of what internal drivers and motivators make them tick. Once you understand where they are coming from it becomes so much easier to speak their language and to give them the opportunity to thrive. When they are thriving professionally your department or organisation has far more potential to succeed.

j) Don't under estimate the power of a thank you

A thank you which recognises the efforts people have made makes a HUGE difference to the way they feel. A short note saying thanks for a job well done takes on a huge significance to the person receiving it when they know is really meant.

I am also of the opinion that having an engaged and motivated workforce is not solely dependent on the economic circumstance. Even in the most challenging times, owners and/or managers who are honest with their staff, commit to credible communication, ensure transparency in their actions and provide regular feedback will build trust, confidence and loyalty. This does not mean that all management decisions will be to the employees' liking or even in all of their interests, but there will be fairness, far fewer surprises and a greater understanding of the decision-making process. By involving employees in problem-solving or business development and by openly recognising their contribution you will create an invigorating, progressive and inclusive workplace that is more likely to survive the bumpy roads ahead.

Mustak Ally
Human Capital and Skills Development Executive



DIVERSITY MATTERS, HOWEVER NOT WITHOUT A LITTLE EFFORT

South Africa is a nation of diversity, with over 50-million people and a wide variety of cultures, languages and religious beliefs. As much as we may be a "rainbow nation" rich in our culture, diversity is a challenge that everyone in the country faces. Whether you are a small, medium or large organisation, you will encounter diversity related challenges in your organisation. Multiculturaladvantage.com, an online community where under-represented professionals and leaders can stay informed, identify opportunities and learn first-hand what it takes to stay ahead of the pack, list the following as some of the challenges organisations experience in trying to take full advantage of their diversity:

a) **Communication** - Perceptual, cultural and language barriers need to be overcome for diversity programmes to succeed. Ineffective communication of key objectives results in confusion, lack of teamwork and low morale.

b) **Resistance to change** - There are always employees who will refuse to accept the fact that the social and cultural makeup of their workplace is changing. The "we've always done it this way" mentality silences new ideas and inhibits progress.

c) **Implementation of diversity in the workplace policies** - This can be the overriding challenge to all diversity advocates. Armed with the results of employee assessments and research data, they must build and implement a customised strategy to maximise the effects of diversity in the workplace for their particular organisation.

d) **Successful management of diversity in the workplace** - Diversity training alone is not sufficient for your organisation's diversity management plan. A strategy must be created and implemented to create a culture of diversity that permeates every department and function of the organisation.

One knows intuitively that diversity matters. It has also become increasingly clear that it makes sense in purely business terms. McKinsey & Company's latest research found that companies in the top quartile for gender or racial and ethnic diversity are more likely to have financial returns above their national industry medians. Companies in the bottom quartile in these dimensions are statistically less likely to achieve above-average returns. Diversity is almost certainly a competitive differentiator that shifts market share toward more diverse companies over time.

The report goes on further to state that while correlation does not equal causation (greater gender and ethnic diversity in corporate leadership does not automatically translate into more profit), the correlation does indicate that when companies commit themselves to diverse leadership, they are indeed more successful.

More diverse companies are believed to be better able to win top talent and improve their customer orientation, employee satisfaction and decision making and that leads to a virtuous cycle of increasing returns. This in turn suggests that other kinds of diversity for example, in age, sexual orientation and experience (such as a global mind-set and cultural fluency) are also likely to bring some level of competitive advantage for companies that can attract and retain such diverse talent.

The Mckinsey research examined metrics such as total revenues, earnings before interest and taxes and returns on equity. In addition to capturing gender information, the data set included information on ethnicity, race, or both from publicly available sources.

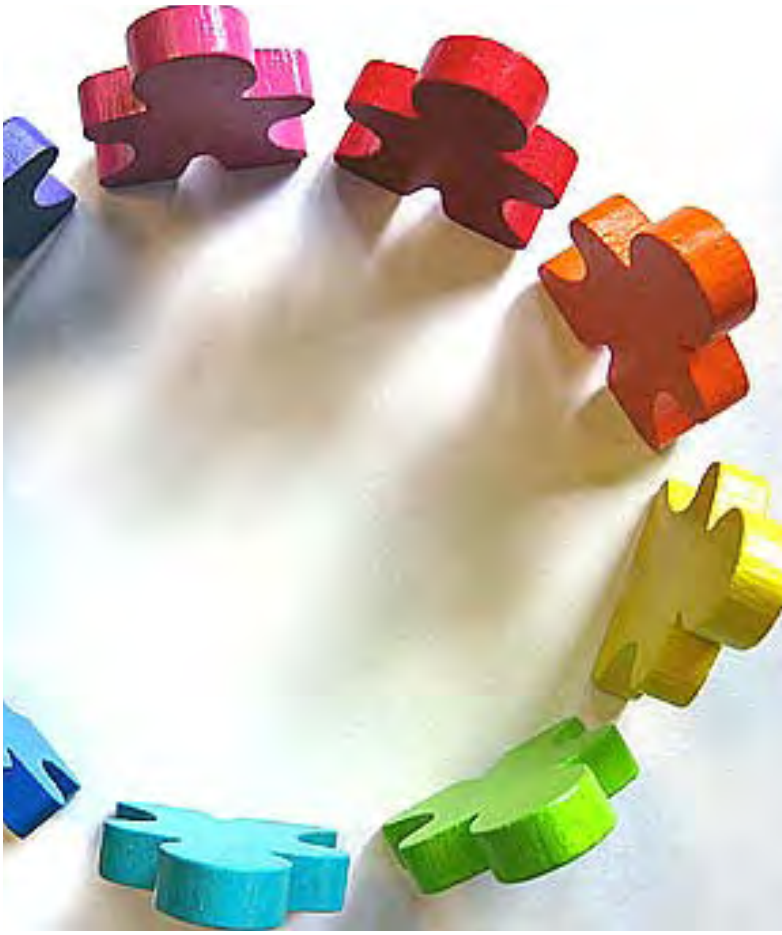
Some of the findings in the research were clear:

- Companies, in the top quartile for racial and ethnic diversity are 35 per cent more likely to have financial returns above their respective national industry medians.
- Companies, in the top quartile for gender diversity are 15 per cent more likely to have financial returns above their respective national industry medians.
- Companies, in bottom quartile both for gender and for ethnicity and race are statistically less likely to achieve above-average financial returns than the average companies in the data set (that is, bottom-quartile companies are lagging rather than merely not leading).
- While certain industries perform better on gender diversity and other industries on ethnic and racial diversity, no industry or company is in the top quartile on both dimensions.

I am not implying that achieving greater diversity is easy. As stated previously, transforming an organisation and reaping the advantages that diversity brings, is no easy feat. I am, indeed, extending the belief that a company that employs a diverse workforce is better able to understand the demographics of the marketplace it serves. Thus it is better equipped to thrive in that market- place than a company with a more limited range of employee demographics. The upshot is that a diverse workforce can also improve employee satisfaction, productivity and retention.

In closing, I would like to reiterate the sentiments contained in the Mckinsey report, Diversity Matters. We live in a deeply connected and global world. It should come as no surprise that more diverse companies and institutions are achieving better performance. Most organisations must do more to take full advantage of the opportunity that diverse leadership teams represent. Given the higher returns that diversity is expected to bring, it is better to invest now, since winners will pull further ahead and laggards will fall further behind.

Mustak Ally
Human Capital and Skills Development Executive



SEIFSA

Steel and Engineering Industries Federation of Southern Africa

OUR PASSION, YOUR SUCCESS

The SEIFSA Learning Academy houses all training, workshops and seminar initiatives offered by SEIFSA's divisional experts. This includes legal, industrial relations, human capital and skills development, economics and commercial as well as safety, health, environment and quality.

SEIFSA RESEARCH INSTITUTE
The SEIFSA Research Institute aims to undertake socio-economic research that is of interest to the metals and engineering sector and to the overall economy.

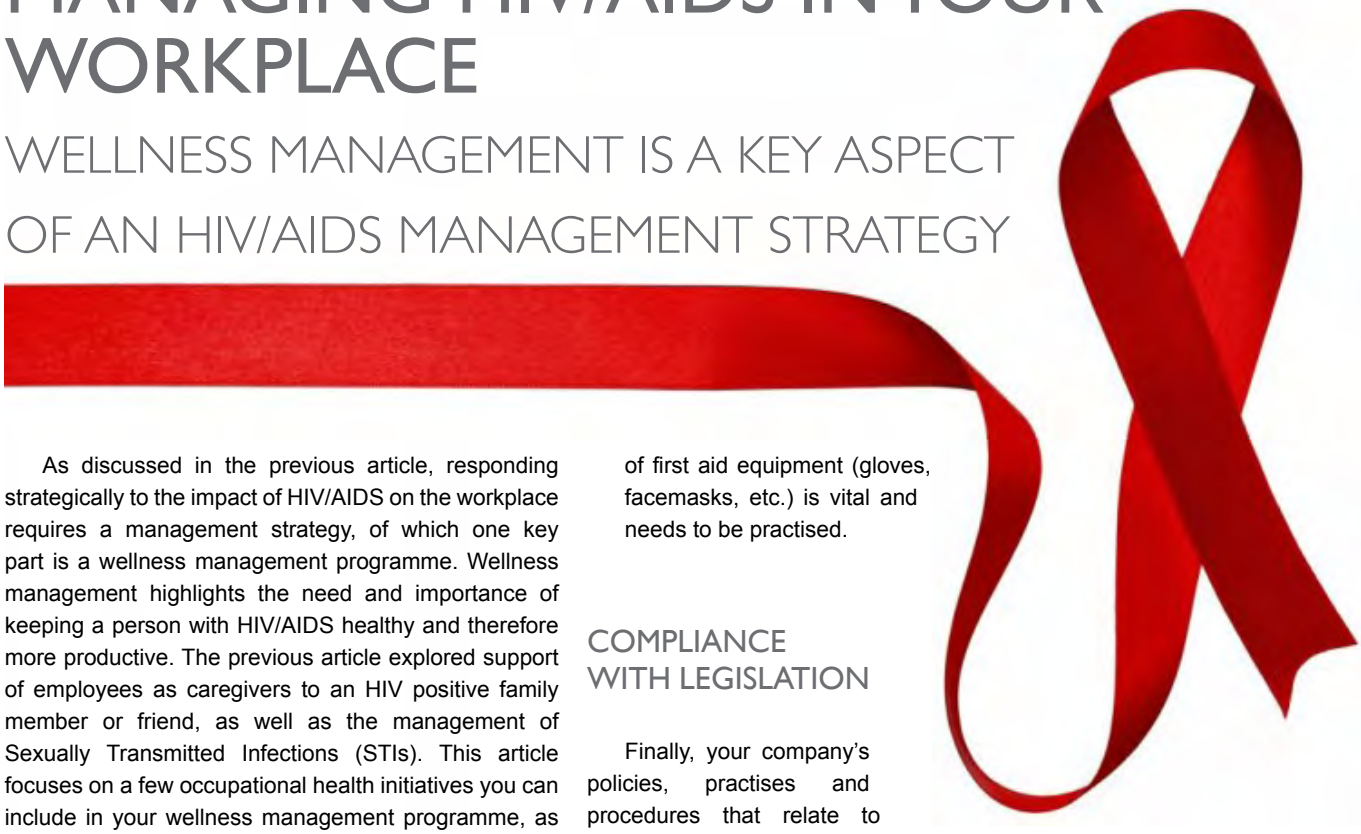
SEIFSA INTERNATIONAL
SEIFSA International is aimed at spreading the SEIFSA wings to the rest of the Southern African Development Community (SADC) region through the provision of products and services to steel and engineering companies operating within SADC.

SEIFSA COMMERCIAL
Through the SEIFSA Commercial Unit, SEIFSA offers training and consulting on public procurement and tendering and services on drafting of business plans, submission of applications for funding to relevant financiers, and liaising with financiers, among others.

SEIFSA SMALL BUSINESS HUB
The SEIFSA Small Business Hub was specifically created to provide affordable and tailor-made services to small and micro-enterprises operating in the metals and engineering sector and beyond.

MANAGING HIV/AIDS IN YOUR WORKPLACE

WELLNESS MANAGEMENT IS A KEY ASPECT OF AN HIV/AIDS MANAGEMENT STRATEGY



As discussed in the previous article, responding strategically to the impact of HIV/AIDS on the workplace requires a management strategy, of which one key part is a wellness management programme. Wellness management highlights the need and importance of keeping a person with HIV/AIDS healthy and therefore more productive. The previous article explored support of employees as caregivers to an HIV positive family member or friend, as well as the management of Sexually Transmitted Infections (STIs). This article focuses on a few occupational health initiatives you can include in your wellness management programme, as well as important legislation to consider.

OCCUPATIONAL HEALTH INITIATIVES

- Occupational exposure procedure: Your company should have a formal procedure on what to do when an employee is accidentally exposed to blood or body fluids in the workplace (through injury). Importantly, all employees should know about this procedure and should be trained on what to do in case of an emergency.
- First aid training: It is also crucial that you have people that can administer first aid in your workplace and that they are formally trained. The correct use of first aid equipment (gloves, facemasks, etc.) is vital and needs to be practised.

COMPLIANCE WITH LEGISLATION

Finally, your company's policies, practises and procedures that relate to wellness also need to be checked to see if they are in line with:

- Employment Equity Act: The Code of Good Practice of Key Aspects of HIV/AIDS and Employment: Section 8 (Promoting a Safe Workplace)
- The Occupational Health & Safety Act
- The Basic Conditions of Employment Act

You would not want your company's policies, practices and procedures saying something different to the law. So make sure that they are in line with these pieces of legislation.

For more information, contact Redpeg
www.redpeg.co.za

THE LIFT AND ESCALATOR INDUSTRY NEGOTIATIONS 2015 CONCLUDED WITH A 6.5% WAGE AND ALLOWANCE INCREASE, NEGOTIATED BY SEIFSA'S INDUSTRIAL RELATIONS DIVISION

An agreement has been reached in the lift and escalator industry following intense negotiations, which started on 8 May 2015.

The South African Equity Workers' Association (SAEWA's) key demands were for:

- A wage demand of 12% to address the cost of living increases
- Three year duration of the agreement
- The travel allowance to be based on the AA rate with the value of the car to be R180 000
- The duration of the fatigue and rest periods to be increased
- The various allowances to increase by various amounts, some with very large increases of 300% being demanded.

Employers in the sector responded, indicating that the following factors needed to be taken into account:

- These are difficult economic and trading times and a highly-competitive market.
- Operational costs are continually increasing above consumer price index (CPI) which is currently 4%. This leads to diminishing margins and returns, which is exacerbated by the weakening rand, making the imported products much more expensive. In addition, companies have to deal with increasing power costs which lead to expensive call-outs and increasing transport costs (fuel and e-tolls).
- Business is slow with very few new contracts if any, likewise with maintenance contracts. In addition, the fee escalation to clients of maintenance contracts is at CPI and larger maintenance contracts are often below CPI. This is further aggravated by huge penalties that are built into the contracts.

Negotiations continued until 14 May 2015 when a deadlock was reached and subsequent disputes were declared, paving the way for a dispute resolution conciliation meeting which took place on 9 June, where employers placed their final wage offer on the table, which was a 6.5% increase to wages and allowances.

SAEWA had an opportunity to consult with the majority of their membership in the Lift Engineering Industry regarding the proposed settlement offer and informed the employers that the membership has mandated SAEWA to agree to a general increase of 6,5% from 1 July 2015.

For details of the agreement, please contact SEIFSA Industrial Relations on 011 298 9400.

Michael Lavender
Industrial Relations Manager

WAGE AGREEMENT REACHED IN THE **CIVIL ENGINEERING SECTOR**

An agreement over wage increases and terms and conditions of employment has been reached between employers and trade unions to the Bargaining Council for the Civil Engineering Industry (BCCEI). The agreement, which is binding for a three year period, provides for wage increases of between 8 and 9%. The BCCEI released the following press statement after the agreement was reached:

The Bargaining Council for the Civil Engineering Industry (BCCEI) reports that, following intensive national wage negotiations, an agreement was reached on 27 July 2015 between BCAWU (Building, Construction and Allied Workers Union), NUM (National Union of Mineworkers) and SAFCEC (South African Forum of Civil Engineering Contractors). According to facilitators, Advocate Afzal Mosam and Ebrahim Patelia, the three year agreement will now be submitted to the Minister of Labour for promulgation.

SEIFSA would like to congratulate the parties on concluding a multi-year deal while avoiding industrial action.

Gordon Angus
Industrial Relations Executive

CONSTRUCTIONAL ENGINEERING ASSOCIATION

LABOUR BROKING DIVISION – ACCREDITED LABOUR BROKERS AS AT 10 AUGUST 2015

LBD
Labour Broking Division of the Constructional Engineering Association of (SA)

- 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
- Central Technical Services (Pty) Ltd
- Sebcon Contracting Services
- Sizuluntu Staffing Solutions (Pty)Ltd
- Carlbank Mining Contracts
- Mabhele and Associates cc
- Transman (Pty) Ltd
- Eduardo Construction (Pty) Ltd
- CDR Contracts (Pty) Ltd
- BDM Management (Pty) Ltd
- Bathusi Staffing Services (Pty) Ltd
- Primeserv Staff Dynamix (Pty) Ltd
- Primeserv ABC Recruitment (Pty) Ltd
- ESG Recruitment cc
- Oxyon Human Capital Solutions (Pty) Ltd

IS THE SIDUMO DECISION STILL THE TEST FOR REVIEW?

In terms of section 145 of the LRA , the Labour Court may review and set aside an arbitration award on, inter alia, the grounds that a commissioner committed a misconduct in relation to his duties, committed a gross irregularity in conduct of the proceedings, exceeded her authority or the award and/or ruling has been improperly obtained. The grounds on which the court may consider reviewing an arbitration award and/or ruling are contemplated in the case of Sidumo and Another v Rustenburg Platinum Mines Ltd and Others [2007] 12 BLLR 1097 (CC).

In Sidumo, the court held that in light of the constitutional requirements that everybody has the right to administrative action that is lawful, reasonable and procedurally fair, "the reasonableness standard should now suffuse section 145 of the LRA. The majority of the Constitutional Court set the threshold test for the reasonableness of an award or ruling as this "is the decision reached by the commissioner one that a reasonable decision maker could not reach?"

The Labour Appeal Court has recently handed down three important judgments, which serve to clarify the operation of the review test set in the majority judgment of the Constitutional Court in Sidumo and certain of the grounds of review in section 145 of the LRA. The said three judgments are: Gaga v Anglo Platinum Ltd & Others (2012) 33 ILJ 329 (LAC), Afrox Healthcare Ltd v CCMA & Others (2012) 33 ILJ 1381 (LAC), and Herholdt v Nedbank Ltd (2012) 23 ILJ 1789 (LAC).

Advocate Anton Myburgh, SC in "The LAC's Latest Triology of Review Judgments: Is the Sidumo Test in Decline" points out that the overall legal position emerging from Gaga, Afrox Healthcare and Herholdt is that CCMA awards can be reviewed on the grounds listed in section 145 of the LRA and, in addition, the grounds of unreasonableness. There are two broad types of reviews – result based reviews (which attack the result) and process-related reviews (which attack the process followed by a commissioner in arriving at the result). There are similarly two types of unreasonableness

– substantive unreasonableness (which is aimed at the result) and dialectical unreasonableness (which is aimed at the process).

Advocate Myburgh contends that the test for substantive unreasonableness is the Sidumo test, which must be applied as per Fidelity Cash Management Service. To succeed, an applicant must establish that – on all the material that served before the commissioner, the result of the award is unreasonable (it falls outside of a range of reasonable outcomes). One this test, the award may be wrong, but nevertheless not unreasonable. However, as held in Herholdt, wrong decisions are rarely reasonable.

Further, Myburgh points out that there is a second ground of unreasonableness where the commissioner fails to apply his mind to materially relevant facts or considerations, this constitutes dialectical unreasonableness. This is because a consideration of all materially relevant facts is fundamental to a reasonable decision. This dialectical unreasonableness test was referred to in the minority judgment of Sidumo.

Dialectical and substantive unreasonableness are interlinked in that a dialectical (process) failure on the part of a commissioner will often lead to a substantively unreasonable result (this was the case in Gaga, Afrox Healthcare and Herholdt). Further, failure by a commissioner to apply his mind to materially relevant facts or considerations also constitutes a (latent) gross irregularity in terms of section 145 of the LRA, this is because such a failure results in the losing party being deprived of a fair hearing. A gross irregularity of this nature equates to an act of dialectical unreasonableness.

The threshold for interference on review in the case of gross irregularity/dialectical unreasonableness is the potential for prejudice. This can be tested by asking the question: If the commissioner had applied his mind to the facts/considerations which ignored, may have come to a different conclusion on the merits. If the answer is in the affirmative, then the award falls to be set aside. Provided this test for prejudice is met, an award falls to be set aside on the grounds of a gross irregularity/ dialectical unreasonableness without it having to be established that the result of the award was substantively unreasonable. To date, an award can be set aside on process-related grounds without the Sidumo test (the test for substantive unreasonableness) being met.

The basis for the above three Labour Appeal Court's review judgments is the Sidumo dictum on gross irregularity which has subsequently been endorsed by the full bench in the Constitutional Court and has regularly been cited by the Labour Appeal Court in other judgments. But where Herholdt particularly breaks new ground is that it is the first time that the LAC has expressly held that the test for prejudice in the case of a gross irregularity is no more than the potential that the commissioner may have come to a different conclusion if he had applied his mind to the facts or considerations which he ignored.

Bridgette Mokoetle
Legal Executive

SEIFSA

Steel and Engineering Industries Federation of Southern Africa

OUR PASSION, YOUR SUCCESS

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ECONOMIC & COMMERCIAL EC

HEALTH, SAFETY, ENVIRONMENT & QUALITY HSEQ

LEGAL

INDUSTRIAL RELATIONS IR

SKILLS DEVELOPMENT & HUMAN CAPITAL SDHC