SEIFSA NEWS

MARCH / APRIL 2016

UNPACKING THE IMPACT OF THE **2016 BUDGET SPEECH** ON THE SOUTH AFRICAN ECONOMY

CEO'S REPORT ON A MEETING WITH FINANCE MINISTER PRAVIN GORDHAN

WHERE TO FOR THE METALS AND ENGINEERING SECTOR?

SEIFSA

Steel and Engineering Industries Federation of Southern Africa

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Southern African '16

Metals and Engineering

INDABA

26 & 27 May 2016

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SANDTON

WHY

you should attend

- It is an opportunity for stakeholders to exchange ideas
- Industry thought leaders are provided a platform to share and present ideas
- It will be a platform for networking and exploring new markets
- An important platform for business leaders to engage with other decision and policy makers in the SADC region

Be at the forefront of innovation

The 2016 annual Indaba will feature high-profile political figures and captains of industry such as Former President Kgalema Motlanthe, National Empowerment Fund CEO Philisiwe Mthethwa, Scaw Metals CEO Markus Hannemann, Massmart Chairman Kuseni Dlamini and Black Business Council Vice President Sandile Zungu who will deliver insightful and thought provoking presentations during the plenary sessions.

Burning issues such as Government Policy Interventions for a Sustainable, Globally ´Competitive Steel Sector; Transformation As A Strategic Weapon in Southern Africa; Southern Africa and the Huge Infrastructure Backlog- How to finance it; Partners, Not Adversaries: How to Forge A Stronger Partnership Between Business and Labour to Improve Southern Africa's International Competitiveness; and The National Development Plan: What Projects are actually being Implemented and do we have the necessary Human Capital? will be under the spotlight during the proceedings.

Brought to you by SEIFSA in partnership with the Industrial Development Corporation, the 2016 Indaba will also present numerous opportunities for sector-specific discussions and networking opportunities.

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Former President: South Africa

Philisiwe Mthethwa
Chief Executive Officer, National Empowerment Fund

Sandile Zungu
Vice-President: Black Business Council

Markus Hannemann
Chief Executive Officer: Scaw Metals Group

Kuseni Dlamini
Massmart Chairman

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BUSINESS REPORT

CONTENTS

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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 6 bumper issues annually.

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

In this space in the last issue of this publication, I bemoaned the fact that everything looked like 2016 would be yet another tough year for the country. Since then, more evidence of that reality has become available.

Thankfully, however, there appears to be a rainbow on the sky. Finally, it would seem that there is consensus among the different stakeholders groups – including the governing party – on the seriousness of the situation confronting South Africa. In an unprecedented manner, President Jacob Zuma's State-of-the-Nation Address on 11 February focused quite heavily on the parlous state of the economy, with the President acknowledging publicly that the Government alone did not have all the answers.

In his annual Budget Speech, Finance Minister Pravin Gordhan went even further and stressed that it was only with the cooperation of the business community that the country may avoid a junk-status downgrade by the international ratings agencies. Indeed, both in the run-up to the State-of-the-Nation Address and the Budget Speech, President Zuma and Minister Gordhan had a series of meetings with business leaders, thus continuing the South Africa Inc. approach that they had adopted ahead of the annual World Economic Forum summit in Davos, Switzerland in January.

In March Minister Gordhan led a team of business leaders on an investment road show to the United Kingdom and the USA, during which they again spoke the same language. Amid some background noises about his relationship with current (at the time of writing) South African Revenue Services Commissioner Tom Moyane and the South African Police Service's Directorate for Priority Crime Investigation (commonly known as the Hawks), Minister Gordhan has single-mindedly focused on the job at hand with great equanimity.

Although these are early days, and although it may be too late in the day to avoid a ratings downgrade, nevertheless this serious partnership currently on display between the Government and the business community is encouraging. Indeed, it is long overdue.

In fact, it is as if the Government has just woken up to the reality that business is a partner, and not an enemy. It can never be in business's interest for South Africa to fail economically and/or politically. Instead, in order to thrive, business requires a politically and economically stable environment in which the rules of the game are consistent, known by all and adhered to.

Therefore, belated though this rapprochement between Government and business is, it remains something to be welcomed and commended. We need more such interactions and an even stronger partnership between the two stakeholder groups for South Africa to prosper.

It is important that, regardless of whatever reservations we may have about the lateness of this newly-found maturity, we commend President Zuma and Minister Gordhan for reaching out to business leaders in the manner in which they have done since the latter's re-appointment into the Finance portfolio following the 9 December 2015 imbroglio that caused South Africa enormous harm domestically and abroad.

I hope that this newly-found partnership with the private sector will be replicated throughout all Departments in Government and throughout all tiers of government. This partnership worked remarkably well during the Mandela and, to some extent, the Mbeki presidencies, but was very much absent during the Zuma presidency – until now.

However, even with a rock-solid partnership between the Government and the business community, South Africa will still not achieve its full potential. Important though the two stakeholder groups are, by themselves they are not enough to take South Africa forward. The labour movement is a very important part of that equation.

Predictably, the toenadering between Pretoria and the business community has led to some concerns among the labour movement, which has watched events from a distance. It is vitally important that everything possible is done to bring the labour movement fully on board as a matter of extreme urgency. After all, labour instability is one of the main concerns that investors have about South Africa as an investment destination.

We wish the team well in its commendable – albeit belated – efforts to save South Africa from a junk status from the international ratings agency. They deserve our full and enthusiastic support. Long may this trilateral partnership continue in the country's interest.

The SEIFSA Awards for Excellence for 2015 are upon us. This is yet another opportunity for us to recognise excellence in our sector.

If you care enough about manufacturing in Southern Africa in general and the metals and engineering sector in particular and believe that you are one of the companies that excel in one or other part of business, then you also don't want to miss out on the opportunity to enter for the SEIFSA Awards for Excellence so that you can be recognised publicly for your excellence and be rewarded for it.

There are seven categories in which you can seek to be recognised by a panel of independent experts. These are:

- **Most Innovative Company of the Year**, to be awarded to a company that has shown the best level of innovation in Research and Development or Production, in the process either gaining market advantage or reducing production costs;
- **Health & Safety Award of the Year**, to be awarded to a company with the best legal compliance record when it comes to Health and Safety or the lowest Lost Time Injury Frequency Rate (LTIFR);
- **Best Corporate Social Responsibility Programme of the Year**, to be awarded to a company with a CSI project that makes the biggest impact on the lives of its beneficiaries;
- **Customer Service Award of the Year**, to be awarded to a company with the best/highest rating by its customers for its performance in customer service;
- Most transformed company of the Year (X2), to be awarded to the most transformed company in terms of the composition of its Board of Directors, Executive Management and Managerial Team: one category will pit companies employing fewer than 100 people against one another, and the second category will pit companies employing more than 100 companies against one another.
- Decade of the Artisan Award, to be awarded to a company with the highest number of artisans trained each year (for itself and/or the industry).

Among the awards to be given out in the CEO's Awards category will be one for the SEIFSA-affiliated Employer Association of the Year, to be given to an Association that has worked hard to grow its membership and to ensure alignment with the Federation and its other Associations.

So, does your company excel in anyone of the categories mentioned above? If so, enter the SEIFSA Awards for Excellence and stand a chance to be recognised for your excellence. Such recognition should help you to improve morale among your employees, to motivate them and, through your marketing efforts, to get your company to stand out among its competitors. For more details, please visit www.seifsaawards.co.za.

Winners of the SEIFSA Awards for Excellence will be announced at a breakfast that will take place on 26 May 2016, the first day of the Southern African Metals and Engineering Indaba 2016. Now in its second year, this vital conference will take place on 26-27 May at the IDC Conference Centre in Sandton, following our conclusion of a strategic partnership with the Industrial Development Corporation.

The 2016 Southern African Metals and Engineering Indaba will be bigger and better, with speakers from our sector and related sectors, such as auto manufacturing, construction and mining. Former President Kgalema Motlanthe will open the conference. For more details, please visit www.meindaba.co.za.

Register now. In recognition of the current state of our sector and the economy, delegate fees have been reduced – and there is a 25% discount for those registering before 31 March 2016! Don't miss out. Book now.

I look forward to seeing you at the second Southern African Metals and Engineering Indaba in Sandton on 26-27 May.

Kaizer M. Nyatsumba
Chief Executive Officer

UNPACKING THE IMPACT OF THE 2016 BUDGET SPEECH ON THE SOUTH AFRICAN ECONOMY

On 24 February 2016, the Minister of Finance Pravin Gordhan delivered the much-anticipated 2016 Budget Speech that was to determine rating agencies decision on South Africa's sovereign credit rating.

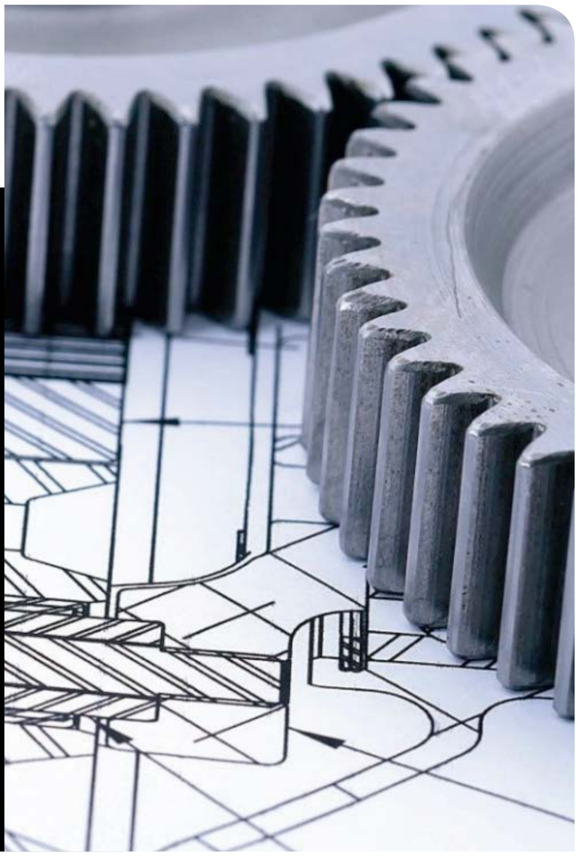
During his speech Minister Gordhan said that the Government would, among other interventions aimed at curbing wasteful expenditure:

- cut the spending ceiling over three years of the Medium-Term Expenditure Framework;
- cut consumables such as travel and vehicle purchases;
- restrict the filling of expensive vacancies and reduce headcount through better personnel practices; and
- contain spending by cutting R25 billion off the State's R500 billion a year procurement spend and investigate all contracts with a value of R10 million and higher.

To unpack the impact of the 2016 Budget speech on the South African economy the Steel and Engineering Industries Federation of Southern Africa (SEIFSA) on 25 February, hosted a Post-Budget Industry Briefing at the Johannesburg Country Club, in Auckland Park. The aim of the seminar was not only to unpack the Minister's impact on the economy with particular emphasis on the metals and engineering sector but also to unpack the impact of the speech on the construction, mining and automotive sectors that are closely linked to the metals and engineering sector.

At the industry briefing, SEIFSA Chief Economist Henk Langenhoven provided an analysis of the impact of the Minister's Budget speech on the metals and engineering sector. Cadiz Corporate Solutions' Mining Analyst Peter Major unpacked the impact on the mining sector, while Econometrix Senior Economist Robert Jeffrey focused on the impact of the speech on the automotive sector, and Industry Insight's Managing Director Elsie Snyman analysed the impact on the construction sector.

THE METALS AND ENGINEERING SECTOR



Addressing delegates at the event, Mr Langenhoven said that SEIFSA welcomed the Government's announced efforts to drastically reduce its expenditure, but remains concerned about the lack of concrete plans to address slow economic growth.

He said that the budget indicated that the primary balance (current expenditure vs income) will be positive from this budget period onwards.

Commenting on the Minister's measures to curb unnecessary spending, Mr Langenhoven said, these are welcome but high targets to meet. If achieved, this budget may indicate a turning point.

According to Mr Langenhoven, it seemed clear that provinces and local authorities had reached their peak in terms of headcount and drag on the fiscus, with no increases in spending allocations and strong indications from the Treasury that they will have to consolidate. This may be the benefit of Minister Gordhan's stint at Cooperative Governance and Traditional Affairs and his intimate knowledge of the dynamics there.

Mr Langenhoven said notwithstanding the Government's concrete plans to cut its expenditure significantly, he remained of the view that Minister Gordhan's speech lacked solid measures to improve domestic demand.

"In the light of the very soft and hugely competitive international trade environment, one of the best stimulatory measures within the Government's control would be to channel spending to local producers," he said.

The Minister listed initiatives to support growth and development, many of which are commendable, such as building on the success of the independent power producers' programme, fostering agro-processing and streamlining trade flows, among others. Mr Langenhoven expressed concern that not much was mentioned about stimulating the local economy by allocating spending to local producers.

Commenting on the extent to which the Minister's speech re-established general confidence in Government and the country, Mr Langenhoven said that the Minister struggled to find any signs of confidence returning in terms of positive economic data. He said that studies showed that the perceived positive impact of a weak currency on competitiveness and exports is not well founded and the decline in the terms of trade was further evidence of that.

However, the announcements of measures to enhance fiscal constraints in the face of severe pressures for expanded involvement of Government either as direct employer or spending increases contributed to confidence building.

"Much has been achieved by this budget, although uncertainties abound. Much more needs to be done to change course on complimentary policies that are inhibiting growth and investment. World economic recovery will happen, but whether South Africa will be part of such a recovery rests a great deal on its own efforts," Mr Langenhoven said.

THE CONSTRUCTION SECTOR

Commenting on the state of the construction sector, Industry Sight's Ms Snyman said that construction sector activity has weakened considerably since 2011 and the fall in construction activity marked a more competitive tender environment.

She said that key indicators paint a dismal situation faced by the construction sector for the past seven years since 2009. The build up to Soccer World Cup, following two decades of disinvestment by public sector, required significant investment in capital equipment, production capacity and human resources but activity in the sector post the World Cup has since gone lull.

Remarking on the 2016 Budget speech, Ms Snyman said that although the number of new public-private partnership projects were on the decline and it was difficult to raise long term debt, a working group has been established to develop and implement alternative funding mechanisms.

"Government is also launching invest in South Africa to promote inward investment to reduce regulatory burdens for local and foreign investors. She said reducing policy uncertainty also remained key; 2500 MW coal energy generation were in preparation and gas to power programme that would add 3126 MW, Government was also investing R64 bn in port, pipeline generation and transmission infrastructure in Richards Bay, Saldanha and Coega. This meant that investment by Government now exceeds that by State-Owned Enterprises.

Inspite of Government's commitment to stimulate growth, Ms Snyman remained concerned about Government's capacity to deliver. She said that provincial and municipal departments increasingly lag behind budgetary allocations; however government was considering a new capital budgeting framework to improve planning and delivery of quality projects and standardising procurement to improve value for money, while reducing the scope for corruption.

In conclusion, Ms Snyman said that more drastic measures were necessary to cut government expenditure at operational level to reprioritize towards "real" infrastructure spending, the National Development Plan was not achieving the desired results and required robust structural reforms.

"Overall the budget did not succeed to prevent an imminent sovereign credit rating downgrade, while tax increases announced will be largely ineffective. This budget could pave way for more difficult times ahead that could have been prevented."

THE AUTOMOTIVE SECTOR

Remarking on the automotive sector, Econometrix's Robert Jeffrey said that South Africa's automotive industry has developed into a major economic force. The sector, according to Mr Jeffrey provides employment and income to thousands of households, brings in foreign currency for exported products and generates tax revenues for the government. A study conducted by Econometrix's confirms production and sale of automotive products generates profits for a wide range of industries up-and downstream.

"After accounting for all indirect economic benefits arising from extensive automotive value chain, analysis confirms substantial economic importance of automotive industry in South Africa," he said, adding that the automotive industry also makes huge impact on economies of, in particular, Gauteng, Eastern Cape and KwaZulu-Natal. In addition, Mr Jeffrey said that the industry has significant up- and downstream linkages to other sectors in primary, secondary and tertiary sectors. Socio-economic contribution of the industry was also vital in contributing to social upliftment of communities.

Policy stability (such as continuation of government support programmes for automotive industry) is essential to attract new investment, and is motivating factor for OEMs to remain in the country and to make long-term investment decisions (despite challenges such as labour instability).

In conclusion, Mr Jeffrey said that the loss of South Africa's automotive manufacturing industry (as a result of policy instability) would result in enormous loss to SA's GDP, employment & government revenue. He said that re-industrialisation was vital for the revival of economic growth and employment in the country.

THE MINING SECTOR

Unpacking the impact of the 2016 Budget speech on the mining sector Cadiz Corporate Solutions Peter Major said that the Minister's speech made very little mention of the mining industry and jobs and also lacked bold and innovative plans.

"Royalties derived from the mining sector in to 2016 were R3.5 bn ($230m) against the R2.75 bn budgeted. He said that Treasury forecasts R4.4bn, R4.8 and R5.2 bn over the next three years. It collected R1.07 tril in 2016 but there was zero mention of 'stimulating' mining or job creation in spite of the sector's ernomous contribution to the economy,"

On the Minister's announced cost-cutting measures, Mr Major said that the Minister made lots optimistic assumptions and promises about 'efficiencies, cost cutting, GDP and revenue growth but most of this was just 'dreaming', hoping and wishing' and was unlikely to slow down the inevitable downgrade of South Africa's economy to junk status.

Is there hope for South Africa's Mining Sector?

Mr Major is of the view that there is hope to turn the sector's fortunes around and ignite growth again. "There's always hope, but especially now because all of South Africa understands. Almost all of South Africa's gold industry's problems are self-inflicted and can therefore be fixed," said Mr Major.

He added that government and the people including unions now appreciate the problem and because all parties stood to benefit if the industry ills are fixed, chances are that it will be fixed in the long-term.

Government was starting to talk about a Roll Back – 'phased withdrawal' of some legislation proven to be particularly hurtful. There were other 'relief' measures too. This, according to Major boded well for the future of the South African mining industry.

REPORT ON A MEETING WITH FINANCE MINISTER PRAVIN GORDHAN

On Tuesday, 29 March 2016, Business Unity South Africa (BUSA) informed its constituency, on an urgent basis, about a meeting that Finance Minister Pravin Gordhan would have with the BUSA constituency at 10am on Thursday, 31 March. The invitation was extended to the CEOs and Chairpersons of BUSA's member organisations.

I, in my capacity as SEIFSA CEO, together with one of the Federation's Vice-Presidents Bob Stone attended a meeting, which was part of a series of engagements that Minister Gordhan and his team have had with the business community as part of a process of growing business confidence and, in the process, hopefully averting a downgrade for South Africa by international ratings agencies. These engagements began immediately after Mr Gordhan's re-appointment in mid-December as Finance Minister and gathered pace ahead of the annual World Economic Forum in Davos. President Jacob Zuma subsequently tasked Minister Gordhan and BUSA President Jabu Mabuza to continue with efforts to improve relations between the Government and the business community.

At the beginning of the meeting, Minister Gordhan explained that Deputy Finance Minister Mcebisi Jonas was at another function and would later attend the meeting. He duly did so some 45 minutes into the meeting.

In his introductory remarks, Minister Gordhan said that in his first week back in the job he was confronted by "the SAA issue", and received a call a few days later from SAPS Hawks Head General Berning Ntlemeza informing him that he (the General) wanted to see him (the Minister) about two investigations that he was conducting into South African Airways and the SA Revenue Service.

Minister Gordhan proceeded to brief the meeting on the international road show that he and the business delegation – later joined by labour – embarked upon in the United Kingdom and the United States of America a few weeks ago. He said that, although they were relatively well received, generally ratings agencies and foreign bond holders were no longer interested in the grand economic plans that South Africa has. Instead, the Minister explained, "they want to know what South Africa is actually doing".

Minister Gordhan said that he and the delegation discovered, during the road show, that investors were very well informed about developments in South Africa, "including the various political controversies".

Minister Gordhan made the point that he and the delegation had walked away with the clear impression that political and economic stability was of great importance to investors, and "that politics and business are inextricably linked". He said that economic growth was of paramount importance, and observed that "unfortunately business confidence is lacking". He stressed that the Government had now accepted that it had a responsibility to create a climate conducive to growth: "No government can be against business, and no government can be in favour of business".

Through that statement, Minister Gordhan sought to make the point that the Government had a responsibility to engage with and take on board the interests not only of the business community, but also of other stakeholders within the country – with labour being one of them.

Concluding his opening remarks, Minister Gordhan said that "there are things that the Government can certainly do in each of the sectors represented" at BUSA, and mentioned specifically the challenges that the mining sector has with the Mineral Resources and Petroleum Development Amendment Act (MRPDA). He said that it was paramount that the Government got the balance right "between regulating and strangulating".

During the Question-and-Answer period, former Standard Bank CEO Jacko Maree commended the Minister and his team for the brave efforts to avoid a downgrade and pledged the business community's support. He said that the work that the Minister and his team have been doing over the past few weeks was essentially about the need for South Africa to achieve an inclusive growth.

Other business leaders seized on the opportunity to raise a litany of complaints about challenges facing their specific sector, including about the lamented policy incoherence in Government, with some Ministries and Departments sometimes ostensibly working against one another. At that stage, the meeting was in danger of becoming a gripe session.

In response, Minister Gordhan said that while there were many issues on which the Government and business would agree, it was also important to accept that there were others which would be "for constestation".

On behalf of the metals and engineering sector, I also extended to the Minister and his team our appreciation of the phenomenal work that they were doing and expressed the hope that henceforth all parts of Government would view business as an important partner, and not as an enemy, as was the case in some quarters in Government.

Wrapping the meeting up, Deputy Minister Mcebisi Jonas stressed the need for general consensus that South Africa faces a political and business crisis that required a broader discussion involving all important stakeholders.

In his concluding remarks, Minister Gordhan gently chided those who approached the meeting as an opportunity to complain and urged them to "operate beyond their sectoral interests". He said that while the Government now understood the regulatory challenges and remained committed to working on them, it was equally important that the business community also worked on business ethics, "especially in the era when this notion of State capture is gaining currency".

"Don't expect too much of us, but we'll do the best we can. Let's start working towards a common narrative. Let's use a common language. Let's work towards inclusive growth," Minister Gordhan concluded.

He urged all present to ensure that they participated in one of the three working streams that had been created for discussion between Government and business.

I walked away from that meeting with a strong sense that the Treasury was, indeed, very keen on working co-operatively with the business community in the interests of South Africa. Both Minister Gordhan and Deputy Minister Jonas were open to engagement and seemed sincere in their efforts to form a strong partnership with business.

Kaizer M. Nyatsumba

CEO

SEIFSA EXPANDS ITS STAFF COMPLIMENT

SEIFSA has recently added three members to its Marketing team. The three colleagues who started in March 2016 are Ms Nuraan Alli who came on board as a Sales Manager, Ms Natalie Fourie who occupies the position of the Sales Officer and Ms Thabiso Lebea who is the Events and Facilities Coordinator.

SEIFSA Sales Manager, Ms Nuraan Alli

SEIFSA Marketing Officer Ms Natalie Fourie

SEIFSA Events and Facilities Coordinator Ms Thabiso Lebea

Ms Alli holds BA and BA Honours degrees in Communications from the University of Johannesburg, a Management Advancement Programme Diploma from the Wits Business School and a Diploma in Project Management, among other qualifications.

She has worked for Imafin as Marketing Consultant, Pricewater-houseCoopers as Marketing Assistant, Comutanet as Marketing Manager and the Department of Trade and Industry as Deputy Director: Export Promotion and was the founding member and Managing Director of Greenovate Solutions and Projects.

Ms Fourie has worked as Sales Executive, Senior Sales Executive and Travel Consultant at various companies, including M-Tel, American Express Travel, Sure Bleeker Travel, Emirates Airlines, Thai Airways, Probe Corporation, Kenya Airways and Orion Hotels, among others, and has attended courses in Presentation Skills, Advantage CRM, Sales, Marketing, e-Commerce, Agency Sales and Corporate Sales.

Miss Thabiso Lebea, came on board as Events and Facilities Coordinator. She previously worked for the Tshwane University of Technology as a Student administrator at the department of civil and mechanical engineering. Prior to that, she had worked for Kyocera Documents Solutions as a Front Office Co-ordinator as well as Lynx freight and courier service as an Administrator/Data Capturer. Ms Lebea holds a National Diploma in Office Management and Technology and is currently studying towards her Btech in the same field.

ALUMINIUM THREE-PHASE 380V AND 525V MOTORS FOR **INDUSTRIAL APPLICATIONS**

The Bauer range of aluminium three-phase 380V and 525V motors, available locally from leading supplier Bearings International (BI), are ideal for industrial applications such as fans, compressors, pumps, sanding machines, pedestal drilling machines, among other applications.

The main benefit of the Bauer range of aluminium electric motors is that it is far more lightweight than its cast-iron equivalents due to the aluminium casing and end shield, Lewis Hiepner, product manager: electric motors at BI, comments.

"This MS range of aluminium three-phase 380 V and 525 V motors has been supplied successfully to the South African market for the past decade," Hiepner points out. A main feature is the multi-mount design, with the added benefit of being able to change the feet on-site.

This gives the customer the option of having the terminal box on the top or on the left or right hand side, depending on the specific requirements. In addition, Bauer motors can be fitted with an external brake of either an AC or DC type.

The AC brake type is specifically for instant stopping when the power is switched off. Applications include bottling plants where accuracy in the stopping position is critical. DC brakes, on the other hand, are slower in reaction time.

This is due to the brake's power going through a rectifier in order to convert AC to DC, with a resultant delay. Typical applications include overhead cranes, where stopping accuracy is not as critical.

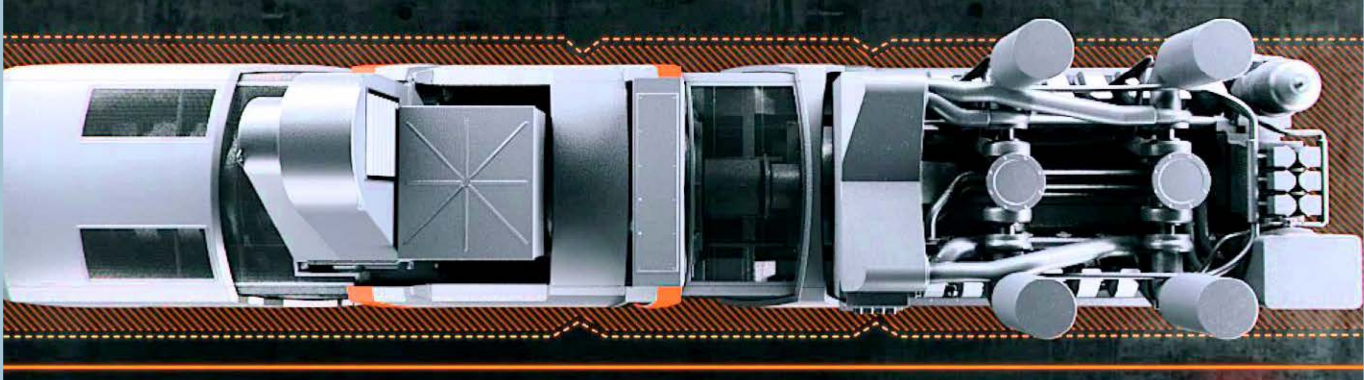
All Bauer motors conform to the relevant IEC standards, as well as being designed for S1 duty. This means that the motors can run continuously for 24 hours under normal load conditions. Another feature is the Class F insulation, with a 'B' temperature rise (80°C plus a maximum ambient temperature of 40°C, giving a total of 120°C).

The manufacturing process use a vacuum pressure impregnation system in the insulation. The motors are also IP55 weather-proof, meaning that they can withstand normal weather conditions, provided that the cable termination to the terminal box is carried out correctly. The Bauer range is also water, dust and even vermin proof.

"It is part of our strategy of being a total solutions partner for our customers in stocking some of the best products and brands from around the world, and Bauer range definitely falls into this category," Ross Trevelyan, Business Unit Head: Product and Engineering at BI, comments.

BI, part of the Hudaco Group, has consolidated its position as a leading distributor of bearings and power transmission products in Southern Africa by launching a new brand identity at the end of last year.

"Our aim is to become a proactive company providing excellent service to our customers to ensure we are the preferred supplier," Burtie Roberts, CEO of BI, emphasises.



MASTER POWER TECHNOLOGIES PARTNERS WITH HITEC TO DELIVER POWER PRO - THE NEW STANDARD FOR CONTINUOUS POWER

With the launch of the Power PRO series HITEC, the inventor of Dynamic UPS, introduces the new standard for continuous power.

HITEC's CEO Ivo Mönnink says: "This is a major breakthrough for continuous power solutions and the natural technology choice for critical loads exceeding 1.5 MVA. We have incorporated 60 years of UPS experience into designing the Power PRO series, our best ever continuous power solution".

The HITEC Power PRO series has the greatest reliability and uptime and with a 20% energy consumption improvement it is the most efficient power solution available. Additionally, with a 17% reduction in footprint it is also the most compact power solution in today's market.

Power PRO's innovative battery-free design increases reliability, saves space and minimises environmental impact. And recognising the ever increasing demand for customer support, the Power PRO's intuitive communication gives unrivalled connectivity, system monitoring and reporting.

The HITEC Power PRO series delivers the lowest possible TCO and ensures the highest quality of uninterruptible continuous power for mission critical applications; it is the new standard for Continuous Power.

This range from Hitec will be distributed exclusively by Master Power Technologies in Sub-Saharan Africa.

ABOUT HITEC POWER PROTECTION

HITEC Power Protection is the world leader in Dynamic continuous power solutions with over 1600 UPS systems installed globally. Headquartered in The Netherlands, HITEC delivers world-class turnkey rotary UPS systems that are designed to fit local market requirements and are installed throughout the world. HITEC guarantees worldwide customer service support through an integrated network of highly-qualified service engineers backed-up by its Regional Support Centres and 24x7x365 Global Helpdesk.

ABOUT MASTER POWER TECHNOLOGIES

Master Power Technologies is an independently owned total power solutions provider. The company specialises in the supply, installation and after sales servicing of a comprehensive range of engineered power solutions. This ranges from modular data space solutions, UPS and generator systems, medium voltage, distribution, MV transformers and switchgear, cooling solutions, industrial solar solutions, battery management, automated monitoring, and control and energy management systems. Master Power's solutions are provided to industries such as manufacturing, mining, telecommunications, data centres and other operations where uptime is critical.

The company has its head office, as well as design, Research and Development and manufacturing facilities in Randburg with branches in Durban and Cape Town. The company also has satellite offices in Zambia (Kitwe and Lusaka).

The company has been recognised as being the best UPS service provider in South Africa in 2011 and in 2014 it received Best Practice Award for Data Centre Infrastructure Management Technology. The research was carried out by Frost & Sullivan.

ACCREDITED LABOUR BROKERS

LIST OF ACCREDITED LABOUR BROKERS - AS AT 9 MARCH 2016

Sizuluntu Staffing Solutions (Pty)Ltd

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

Lapace Construction (Pty) Ltd

Consortium Personnel Consultants cc

EFS Labour Consultants cc

ALOS Holdings (Pty) Ltd

Global Industrial Consultants 2 cc

Global Isizwe Placements cc

Staff-U-Need a Division of ADCORP Staffing Solutions

Capacity Outsourcing (Pty) Ltd – a Division of ADCORP

Capital Outsourcing Group (Pty) Ltd

JLH Services and Consulting (Pty) Ltd

AMT Placement Services

Molapo Quyn Outsourcing (Pty) Ltd

CAP Personnel Placements (Pty) Ltd

Phakisa Technical Services (Pty) Ltd

Central Technical Services (Pty) Ltd

Sebcon Contracting Services

Valorem Recruitment (Pty) Ltd

Seven Stars Investments (Pty) Ltd

Swift Human Resources (Pty) Ltd

ACTUM INDUSTRIAL OFFERS IN-HOUSE CYLINDER REPAIR SERVICE

Geoffrey Booysen, Pneumatics Manager - Gauteng Actum Industrial

Actum Industrial offers an in-house cylinder repair service for its range of premium Waircom products. It is also able to customise cylinders for specific customer specifications and applications, as well as refurbish cylinders.

"It is important to educate our customers on the benefits of preventative maintenance," Geoffrey Booysen, Pneumatics Manager: Gauteng, Actum Industrial, comments. "For example, if an airline is contaminated and supplies dirty air, this could damage the valve and reduce its lifespan."

Booysen adds that what distinguishes Actum Industrial in this highly-competitive sector is the value-added services it is able to offer its customers. "We have the flexibility to cater for bigger customers who simply want to replace products when there is a problem, to smaller, more cost-conscious customers who are keen to repair rather than replace."

While the slump in the value of the rand has seen many customers opting for ostensibly cheaper Asian and Chinese products, Booysen warns that the total lifecycle cost ends up being much higher, without the benefit of the 24/7 aftermarket support offered by Actum Industrial.

"We retain a comprehensive stockholding of the most popular Waircom product lines and components, including all-in-one service kits," Booysen notes. Actum Industrial also has branches in Durban, Richards Bay and Port Elizabeth.

"Our biggest growth area at the moment is the industrial sector, ranging from steel wire and coil to mattress spring manufacturers. We recently supplied a grain feed application in the Free State, which heralds a potential new market for us," Booysen reveals.

Waircom pneumatic products have found ready acceptance in a range of industries, from automotive to carpeting, wood, pulp and paper, packaging, plastic, petroleum, food and beverage and even medical equipment manufacturing.

Cylinders range from linear (with or without piston rod) to guided, compact, non-rotating and rotary actuators. These comply with the most common international standards. Actum Industrial offers the ISO 21287:2004 compliant range of Waircom range of compact cylinders with a bore range from 32 mm to 100 mm. Large bore tie rod cylinders on offer range from 125 mm to 320 mm.

The Actum Group comprises two main divisions. Actum Electronics focuses on electronic components, while Actum Industrial encompasses industrial products, instrumentation, pneumatics and professional tooling. All these businesses have been well-established brands in their respective markets.

ABOUT THE ACTUM GROUP

The Actum Group has diversified to become a leading importer and distributor of components, instrumentation, automation and industrial products. The original business, Actum Electronics, has been operating since the 1970s and was originally an importer and distributor of electronic components. More recently, four businesses have been acquired to form the Actum Group. These are Altico, Connecta, Peter Jones Electronic Equipment and Dowson & Dobson Industrial.

SEIFSA WELCOMES **NEW MEMBERS**

The following companies became members of associations federated to SEIFSA during march 2016.

Sivulemathuba C Consulting
Constructional Engineers Association (TESD Division)

Tega Industries South Africa
Light Engineering Industries Association

Your benefits when becoming a member of an Association federated to SEIFSA:

Included in the membership fees

- Telephonic advice and assistance
- SEIFSA call centre
- Industry news
- Representation on national and industry forums
- Benefit funds
- Participative structures
- Negotiations
- SEIFSA News

Additional costs with member discounts

- Company level assistance
- Workshops and conferences
- Key publications
- Industrial relations and legal services
- Dispute resolution representation
- Human capital and skills development services
- Safety, health,environment and quality (SHEQ) services
- Economic and commercial services
- Small business hub services
- Artisan training

SEIFSA AWARDS for EXCELLENCE 2016

Enter your company in the SEIFSA Awards for Excellence

26 MAY | 2016
IDC Conference Centre, Sandton

and show case your achievements

In order to encourage manufacturing, foster a culture of innovation and excellence, and to give value and benefits to its members and the industry at large, the Steel and Engineering Industries Federation of Southern Africa (SEIFSA) established the SEIFSA Awards for Excellence.

Now in their 2nd year, the annual SEIFSA Awards for Excellence invites you to submit entries for one or more of the seven categories overleaf:

The 2016 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 2015 and 31 December 2015.

For sponsorship, criteria and participation enquiries, please visit
www.seifsaawards.co.za
Email: faith@seifsa.co.za
Tel: 011 298 9400

Closing date for entries:
Friday, 15th April 2016

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

THE AWARDS ENCOMPASS THE FOLLOWING CATEGORIES:

MOST INNOVATIVE COMPANY OF THE YEAR

Awarded to a company that has shown the best level of innovation in Research and Development or Production, in the process of either gaining market advantage or reducing production costs.

BEST CORPORATE SOCIAL RESPONSIBILITY PROGRAMME OF THE YEAR

Awarded to a company with a CSI project that makes the biggest impact on the lives of its beneficiaries.

MOST TRANSFORMED COMPANY OF THE YEAR

Awarded to the most transformed company in terms of the composition of its Board of Directors, Executive Management and Managerial Team.

a) First Category: Companies employing fewer than 100 people
b) Second category: Companies employing more than 100 people

ENVIRONMENT STEWARDSHIP AWARD OF THE YEAR

Awarded to a company that has successfully implemented greening initiatives in its day- to-day business operations.

HEALTH AND SAFETY AWARD OF THE YEAR

The Health and Safety Award of the Year will be offered to a company with the best legal compliance record in Health and Safety or the lowest Lost-Time Injury Frequency Rate in 2014.

CUSTOMER SERVICE AWARD OF THE YEAR

Awarded to a company with the best/highest rating by its customers for its performance in customer service.

ARTISAN AWARD OF THE YEAR

Awarded to a company in an Association federated to SEIFSA that has the highest activity in artisan training each year (for itself and/or the industry).

CEO AWARDS

a) Student of the Year Award (Top Student at the SEIFSA Training Centre)
b) Company of the Year Award (Member company)
c) Association of the Year Award (Affiliated Association)
d) Lifetime Achiever Award (Industry Award)

INTERNATIONAL WATCH

UNITED KINGDOM

Steel crisis turns up heat on energy subsidies

Germany has handed over 40 times more in energy subsidies to heavy industry since 2013 than the United Kingdom (UK), highlighting one reason why British steelmakers are in such trouble.

Berlin in that period has granted subsidies worth over €9bn to its most intensive energy users as it raised levies on others to help pay for its transition to renewables.

But in the UK, where Tata Steel has in part blamed high energy prices for last week's decision to put its business up for sale, the government has paid out just £160m.

Richard Warren, an energy policy adviser at the EEF manufacturers' organisation, said: "We have to ask why the UK steel sector fared so badly in comparison even with those in other European countries. This is surely a big reason for that."

When Tata announced last week it wanted to pull out of its entire UK business, putting 15,000 jobs at risk, it mentioned high energy costs alongside the falling price of steel as one of the main reasons. The company has repeatedly complained about "cripplingly high" costs of electricity, blaming them in the past for job losses.

Electricity costs are higher in the UK than elsewhere, in part because the British government has decided to set a minimum price for carbon emissions above that being traded on the EU market. This means it costs more for fossil fuel power plants to produce electricity, encouraging lower-carbon generation and pushing up overall electricity prices.

According to figures from the energy department, the price that "extra- large consumers" — which includes steelmakers — paid for their electricity during the second half of last year was nearly double the EU average.

Ministers have responded by offering companies rebates on electricity costs to compensate for carbon prices. They are also planning to introduce a new rebate on renewable energy costs, which the government says could be worth over £400m for the steel industry alone.

Source: FT

UNITED STATES

American Steel Hammered By Currency, Trade Policies, Infrastructure

Steel companies are getting hammered by low-priced imports. Currency manipulation and terrible trade policies, combined with lack of enforcement and cutbacks in United States (US) infrastructure maintenance and modernization are the culprits. To make things worse, foreign steel companies are just pricing in fines expected from any trade-violation enforcement that might come along as "a cost of doing business."

The domestic steel industry is being flooded with subsidized imports that threaten to shut down mills, lay off workers and put companies out of business, the CEO of U.S. Steel Corp. told lawmakers in Washington recently.

Mario Longhi, testifying before the Congressional Steel Caucus, said the industry is facing a "torrent of steel imports" that are unfairly subsidized by foreign governments and that undercut American-produced steel.

"The last time we were at these levels, nearly half of American steel companies disappeared," Longhi said.

"Today, across the country, once again, mills are idled," he said. "Plants continue to be shut down. American workers are laid off."

Longhi called for Congress to more strongly enforce trade laws and to bolster standards for determining if companies have been hurt by foreign dumping.

The Pittsburgh Tribune-Review

CHINA

Chinese government imposes tariff on EU steel imports

China has risked raising tensions over its role in the UK steel crisis by imposing a 46% import duty on a type of high-tech steel made by Tata in Wales.

The Chinese government said it had slapped the tariff on "grain-oriented electrical steel" imported from the European Union, South Korea and Japan. It justified the move by saying imports from abroad were causing substantial damage to its domestic steel industry.

Tata Steel, whose subsidiary Cogent Power makes the hi-tech steel targeted by the levy in Newport, south Wales, was unable to say on Friday whether any Cogent products are exported to China.

News of the tariff emerged as David Cameron confronted the Chinese president, Xi Jinping, on the sidelines of a summit dinner in Washington, urging him to use Beijing's presidency of the G20 group of leading countries to tackle the problem.

Asked if Cameron raised concerns about British job losses from Chinese steel dumping, a senior government source said: "He highlighted his concerns, yes." The source added: "He made clear the concerns that we have on the impact this is having on the UK and other countries."

British politicians have been accused of pandering to China by blocking new tariffs on Chinese imports to the EU, a measure designed to prop up Europe's struggling steel industry.

The tariff move by the People's Republic is likely to anger steelworkers and unions, who blame China for much of the industry's recent troubles. Steel firms say one of the key reasons for the UK industry's woes is that state-subsidised firms in China are "dumping" their product on the European market, due to flagging demand at home.

The UK business secretary, Sajid Javid, who visited Tata Steel's struggling Port Talbot plant on Friday, has been accused of blocking measures to crack down on Chinese imports. Javid voted against EU plans to lift the "lesser duty" rule, which would have allowed for higher duties to be levied on Chinese steel imports. The UK has also lobbied for China to be granted "market economy status", which would make it even harder to crack down on steel dumping.

"The fact is that the UK has been blocking this," European Steel Association (Eurofer) spokesperson Charles de Lusignan told BBC Radio 4's Today programme. "They are not the only member state but they are certainly the ring leader in blocking the lifting of the lesser duty rule. The ability to lift this was part of a proposal that the European commission launched in 2013, and the fact that the UK continues to block it means that when the government says it's doing everything it can to save the steel industry in the UK and also in Europe, it's not. It's not true."

The Guardian

WHERE TO FOR THE METALS AND ENGINEERING SECTOR?

INTRODUCTION

"Within three to seven years the world economy should be coming out of its hibernation that marked most of this decade. The post-crisis recuperation marking many countries … will have matured … and returned to normal" (Bruggemans, 2015, Comment: Looming Fork in the Road). The question is what is to be done for and by the South African metals and engineering sector not to miss out on this revival.

Metals and engineering and its critically interdependent sectors, namely mining, construction and the automotive sector contribute nearly 20% of the country's gross domestic product directly and employ nearly 2 million people. These are too valuable to lose. The sector is in a structural adjustment

Table 1: Structural shifts in the Sector since 2007/8

Indicator	2014/15 Change %	Peak since 2000	Change since peak %
Output (Value)	-2	2008	-5
Value Added (Value)	-2.1	2008	-13
Employment numbers	-1	2007	-11.5
Domestic Market Size (Value)	8	2013	-2
SA Producers' Market Share (Value)	4.7	2002	-13.3
Imports (Value)	12.2	2008 / 15	0.4
Exports (Value)	-7	2008	-14.5
Fixed Investment in Sector (Value)	-15.5	2008	-38.9
Fixed Capital Stock (Value)	-3	2008	-8.4
Net Suplus Ratios (Profits)	-19.7	2005	-96

Sources: Statistics South Africa, Quantec & SEIFSA

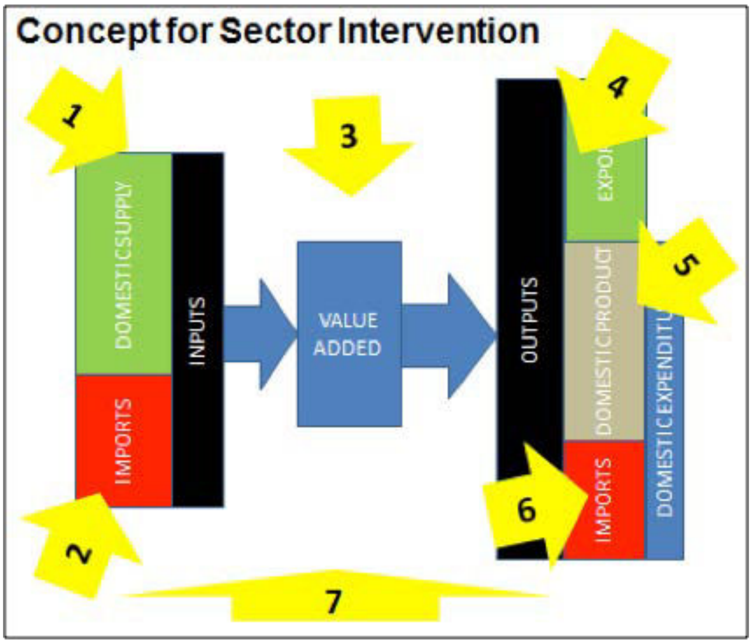
phase and not just a cyclical downswing. Table 1 below shows the rates of change in the important indicators from 2014 to 2015, the years in which the highest peak occurred over the last 15 years) and the trends since that peak year (barring imports) to 2015.

The malaise is obvious over all indicators, but the most severe declines occurred in profit margins (net surplus ratios), the value of fixed capital stock (production capacity) and fixed investment in the sector.

The South African Reserve Bank is of the view that South Africa's potential growth rate has declined and that it cannot be reversed by using macroeconomic policy only. The latter is hardly able to smooth out cycles at the moment due to the SA Government's constrained fiscal position and the influence of world financial trends and monetary policies on domestic monetary options. "Stimulation" in the form of higher subsidies, lower taxes or tax sacrifices, or lower interest rates should not be expected, therefore. A more holistic approach is needed.

It is useful to have the "concept for sector intervention" schematic as a guide to focus discussion of possible policy options.

Schematic 1: Possible policy intervention options



It depicts:

1. the domestic supply of inputs, and
2. intermediary imports needed for production,
3. Value adding by companies through employment of people, investment and profits,
4. Outputs being exported,
5. And supplied to the domestic market,
6. In competition with imports,
7. having to rely on domestic infrastructure and logistics.

Short-term survival remains of the utmost importance since a lower turning point for production in the sector is only expected by 2017. Measures to achieve structural or longer-term adjustments will take longer and will only change the medium- to longer-term outlook.

SHORT-TERM OPTIONS

Over the short term neither domestic demand, nor export demand will improve, hence idle production capacity will remain and pressure on profit margins will persist. Two broad options are available.

Cost cutting and right sizing measures by companies, which is relevant for items "1", "2" and "3" in the schematic.

- There is a huge downward price pressure on domestic suppliers of inputs to the sector due to weak demand, but also insistence by the sector to have benefits of lower international commodity prices passed on to them.
- Imported intermediary input prices are also depressed in dollar terms, but are negated by the depreciating exchange rate which made imports 30% more expensive since the beginning of 2015. This has neutralised (to an extent) the "cheaper import" option; it may become viable for companies to restart local produce again. It is not reflected in data yet, but it is certainly something which job-creation benefit might increase with Government support.
- As shown in table 1, value addition, profit margins, investment and employment declined sharply. With constant under-utilisation of (dwindling) production capacity, these trends may all continue. Government support to invest in new and more productive technology may be beneficial.
- The streamlining of employment lay-off schemes to soften the

impact of job losses and prepare workers for new careers should also be a priority.

Protection (tariffs etc.) of the local market and stimulation of local procurement through expanded and effective designation of local products for by the public and private) sector are crucial. The relevant areas are items “5” and “6” in the schematic.

Theoretically the potential benefit of successfully recapturing lost domestic market to imports is enormous. The total domestic market for metals and engineering sector products grew to a peak in 2013 and contracted slightly since (-2%). SA producers’ share of this market peaked in 2002 at 68% and has since declined by 13% to only 48%. If SA producers were able to maintain their market share (all things being equal), production would have been R114 billion higher in 2015, which translates into roughly 80 000 more people employed, as against the 45 000 jobs lost since 2007.

The scope for further tariff protection is not that large according to a study by the International Trade Advisory Commission (2015) which analysed the state of actual tariffs vis-à-vis the bound rates allowed by the World Trade Organisation. All possibilities should be explored however.

LONGER-TERM OPTIONS OF A STRUCTURAL NATURE

Two important statements have to be made to provide the context:

- The metals and engineering, mining, automotive and construction sectors are reciprocally dependent on one another and combined contribute nearly 20% directly to gross domestic product and is responsible for the majority (more than 60%) of foreign exchange earnings. Therefore, its welfare has a major impact on the whole SA economy through its own and multiplied revenues, employment, taxes and demand.
- SA runs a current account deficit of around 5% of GDP. This means that foreign capital inflows are required to balance our books. Furthermore, foreign investors own around 40% of RSA bonds (a large proportion of which are Government bonds) and 40% of the Johannesburg Stock Exchange-listed equities. All policy choices by government and the SARB should endeavour to enhance confidence and stability to safeguard our relationships with the world.

For the sector to return to profitability, demand for its products must grow, either through higher exports or domestic demand mainly coming from the mining, construction and automotive sectors.

The outlook over the next three years for international markets is weak and beyond our control, barring lowering domestic production costs and, therefore, increasing international competitiveness.

Crises often enhance decision making. Institutionally the predicament of the basic ferrous metal industry has forged higher levels of understanding amongst the players (i.e. industry, government and labour). Economic Development Minister Ebrahim Patel constituted a “steel panel of experts” to advise him and Trade and Industry Minister Rob Davis has declared the sector as distressed.

> “Higher protection of the sector against import penetration and domestic demand stimulation through local procurement from domestic suppliers hold good potential, but can only be a short-term solution”

The main outcome of the above was higher protection measures agreed upon, but the latter only provides short-term breathing space. However, some policy signals are still confusing: an extra R300 million has been made available from the Dti’s medium-term expenditure budget towards the sector, but applications for the Manufacturing Competitiveness Enhancement Programme have been closed because of budget constraints. Domestic demand generated from the infrastructure projects is better understood, but a much bigger effort is needed to make certain that a larger portion of this demand actually come to SA suppliers. There is no clear holistic indication how beneficiation would work, but lots of effort is going into refining the policy stance (on the platinum group metals, iron and steel, and capital equipment sectors). When the gas initiative (of whatever form) gains momentum, metals will also benefit.

A deeper conversation needs to take place about measures to secure the long-term survival of the sector.

Any policy response must recognise the complexity of the sector itself and its exposure to international markets and import competition. Any solution must take the complex layers of industries within the sector into account. It must be recognised that each sub-industry within the sector has its own dynamics in terms of production and markets. The idea that such policy should be focussed primarily on "a developmental price" of inputs in the beginning of a production chain is impractical in a world of volatile commodity and metals prices, and has no guarantee of downstream benefits accruing.

International government support (subsidies, incentives, etc) for higher value-added products seems to be overwhelming SA producers. The 'developmental price' strategy (in essence a 'tax') on upstream producers to compensate for international subsidies of imported products lower down the production pipeline is not viable. The former are competitive and earning foreign exchange, while the latter are not.

A totally different sector support strategy has been followed with the often quoted Motor Industry Development Programme (MIDP) and towards the clothing and textile policy interventions. These programmes were the result of years of "cluster" studies and policy adjustments to improve effectiveness. A similar approach must be followed for each industry in the metals and engineering sector.

The survival of the sector depends (domestic demand) crucially on the health and growth of the sectors which are drivers of its demand, namely mining, construction and the automotive sector. All of these efforts have potential medium- to longer-term benefits for the sector:

- If the Mining Phakisa process does not set that sector back on a course for future growth, a large proportion of the metals and engineering sector's market will remain in the doldrums.
- The continued success of the automotive sector is crucial. Just recently a more favourable dispensation for access for investors was announced.
- The construction sector is not doing well, and the large infrastructure projects have not had the intended impact on domestic demand envisaged. The impact of redirecting a larger proportion of such procurement back to domestic producers can have major benefits for the domestic economy.

Domestic structural constraints in infrastructure remain one of the biggest drivers of increased production costs, with energy and logistics as the biggest bottlenecks. These will take years to alleviate completely, with some gradual improvements expected in the foreseeable future.

In conclusion, higher protection of the sector against import penetration and domestic demand stimulation through local procurement from domestic suppliers hold good potential, but can only be a short-term solution.

Rejuvenation over the medium to longer term will depend on the recovery of the mining, construction and automotive sectors, as well as the alleviation of structural constraints (domestic infrastructure and logistics). The international competitiveness of the metals and engineering sector will have to improve to regain its position as preferred suppliers domestically and in international markets.

Henk Langenhoven

SEIFSA Chief Economist

SKILLS DEVELOPMENT **DEFINITIONS**

To keep up to date with the latest terms and definitions used in skills development, below are a few that are often misunderstood. The definitions listed are national definitions from legislation and regulations governing the sector education and training landscape.

Apprenticeship – Structured learnership in respect of listed trade, and includes a trade test on respect of that trade in accordance with section 26 of the Skills Development Act, 1998 as amended.

Bursaries - refers to study grants for employed learners to enrol at higher education institution or programmes relevant to the priority skills required in the Metals and engineering sector. Bursaries are not automatically renewed annually and will not be granted by Merseta for short courses.

Experiential Learning refers to the compulsory curriculum requirement that forms part of the accredited National Diplomas in engineering to get the full qualification. Students must complete a minimum period of experiential learning in industry under the supervision of a qualified mentor. The experiential learning periods are generally known as P1 and P2.

Internships refer to relevant post-qualification work experience, of a minimum duration of one year, towards developing applied practice, knowledge and skills for the purpose of possible professional registration, career or further learning opportunities.

Learnership means a work-integrated learning programme that leads to an NQF registered/recorded qualification. Learnerships are directly related to an occupation or field of work. Learnerships are based on legally binding agreements between an employer, learner and an accredited training provider. Once the qualification is completed the learnership ends. Trade related; learnerships towards fully qualified artisan status based on NQF level qualification (NQF 2 – 4) and getting a trade test certificate in recognition of trade.

National Qualifications Framework (NQF) is a comprehensive system approved by the Minister of Higher Education and Training for the classification, registration, publication and articulation of quality-assured national qualifications.

PIVOTAL - is an acronym for professional, vocational, technical and academic learning programmes that results in an occupational qualification/s or part qualification/s on the National Qualifications Framework. The submission of a PIVOTAL Plan and PIVOTAL Training Report forms part of the Mandatory grant submission requirements but does not constitute automatic awards of discretionary grants for PIVOTAL Programmes. The input into the PIVOTAL Plan will however be considered in the awarding of discretionary grants.

Skills Programmes refers to a clustered range of skills required by a qualified person or a person already doing a task or job for the purpose of trans-skilling, re-skilling and up-skilling in relation to industry needs. The relevant SETA's skills sets are applicable.

Structured workplace learning is the part of learning that takes place in an occupational qualification, an internship, or work placement for professional designations whereby a learner is mentored by a qualified mentor in the application and integration of the knowledge and practical skills learnt, under supervision, in the actual context of a workplace in accordance with the prescripts set out by the relevant qualification authority or professional body.

Work Integrated Learning (WIL) is an umbrella term to describe curricular, pedagogic (training/teaching) and assessment practices, across a range of academic disciplines that integrates formal and workplace learning, which culminates in a qualification or part qualification and can include practical, professional practice, internships, workplace experience, industry-based learning, cooperative education, service learning, real work learning, placements, experiential learning and clinical placements.

SEIFSA ASSIST IN **TRAINING THE TRAINING COMMITTEE**

A company that employs more than fifty employees is obligated to establish a Training Committee. The Committee must be representative of all occupational levels of the organisation, to consult on the annual mandatory and PIVOTAL (Professional Vocational Occupational Technical Academic Learning) grant applications submitted to the relevant Sector Education Training Authority (SETA) on or before 30 April.

Consultation should start as early as possible in the process of workplace skills planning and throughout the implementation process.

The main task and responsibility of the Training Committee is to represent all employees and employers and to consult as their representatives with management on various skills development related challenges and issues, specifically the Workplace Skills Plan (WSP), Annual Training Report (ATR) PIVOTAL Plan (PP) and PIVOTAL Training Report (PTR)

Consultation for the annual submission is a matter of legislation and to this extent; the Training Committee is a statutory body and must be kept informed and trained on any and all skills development related matters.

SEIFSA has assisted numerous companies with the training and up skilling of their Training Committees' on their members' roles and responsibilities as well as the skills development legislative requirements and grant implications for their companies for 2016.

For more information on In-house Training Committee Training contact the HC&SD Team: at SEIFSA on (011) 298 9400.

OHS ACT: FIVE REASONS TO COMPLY

It goes without saying that it is critically important for businesses to comply with the Occupational Health and Safety Act (OHSA). Not only does compliance reduce the risk of accidents in the workplace, but it also improves the overall health and safety management system. The Act is enforced by Occupational Health and Safety Inspectors of the Department of Labour. Non-compliance attracts enforcement measures, the lowest being a contravention notice and the highest being a penalty.

1. **Contravention notice** is served when an employer or user of plant or machinery does not comply with a specific provision of a regulation or section.

2. **Improvement notice** is served when the safety or health of a person at the workplace or in the course of his employment, or in connection with the use of plant or machinery is threatened on account of refusal or failure of an employer or user of plant or machinery to take reasonable steps in the interests of health or safety where no specific provisions in a regulation or where there is a directive from head office relating to the threat.

Whenever a condition is so unsafe that the inspector is of the opinion that an immediate danger exist he or she must serve a prohibition notice instead of an improvement notice on the employer or the user of plant or machinery.

The provisions of improvement and contravention notices are temporarily suspended as soon as an appeal is lodged in terms of Section 35. If the appeal does not succeed, the provision of the contravention notice again become operative as from the date on which the decision on the appeal was given.

3. **Prohibition notice**

There are three types of prohibition notices that an inspector can serve:

- Section 30 (1) (a) relates to acts which threaten the health or safety of a person.
- Section 30 (1)(b) relates to the threat to the health or safety of persons using machinery, as well as any other person who is, or may come, in the vicinity thereof, in other words we are concerned with the protection of employees and the public at large; and
- Section 30(1) (c) relates to the conditions which threaten the health or safety of an employee, in other words we are concerned solely with the protection of employees.

An employer or user of machinery may lodge an appeal, in terms of Section 35, against the decision of an inspector as set out in the prohibition notice.

An appeal lodged against a prohibition notice served under section 30 (1) (a) or (b). shall not suspend the operation of such prohibition i.e. the notice remains in force until the appeal has been resolved.

4. **Prosecution**

The period set for the above three notices is 60 days. Upon request, an employer may be granted an extension to up to 90 days. If the employer or user fails to comply with the provisions of a contravention improvement or prohibition notices, after a period as specified on the notice has expired, the inspector must recommend prosecution, as this is an offence in terms of Section 38 (1)(b).

5. **Penalty**

Anyone who is prosecuted and found guilty of an offence may be liable to a fine of up R100 000 or two years in prison.

Nonhlalo Mphofu

Safety, Health, Environment and Quality Executive

THE BLUEPRINT TO OHS COMPLIANCE

A Chief Executive Officer (CEO) in terms of the Occupational Health and Safety Act (OHSA) is the person with the highest authority in the organisation. The CEO's legal obligation is to ensure that the duties placed upon the employer are properly discharged, and failure to do so is a criminal offence.

While a CEO may appoint a 16.2 Assignee to execute duties on his behalf- he/she remains liable for criminal offences. It is, therefore, critical for the 16.2 Appointee to be clued up on the implementation requirements of the OSA, and to understand their role in ensuring that employers comply.

The 16.2 Assignees workshop provides the delegates with a roadmap to ensuring compliance in their organisations. It provides clear boundaries of what is reasonably practicable and what is expected in terms of protecting the health and safety of employees at work.

DATE: 16 May 2016
VENUE: SEIFSA Johannesburg
For more information contact
Nonhlalo Mphofu
noni@seifsa.co.za
011298-9400

SEIFSA SMALL BUSINESS HUB

POWERED BY SEIFSA

For most companies, adherence to any number of regulations and industry standards is a requirement for doing business, however, it also can be time consuming. Let the SEIFSAs Small Business Hub (SBH) help you to meet your company's compliance requirements.

Please note our Upcoming Training in 2016

- Health and Safety Represetative Training
- ISO 9001 Quality Awareness Training – (Two days)
- A –Z of the Main Agreement
- Chairing Disciplinary Hearings
- 16.2 Appointees Training Workshop
- Legal Liability
- Protection of Personal Information Act (POPI) Act
- New B-BBEE Regulations

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Book and pay 1 month in advance for a public workshop, and receive

EARLY BIRD REGISTRATION DISCOUNT OF 5%.

Alternatively, you are welcome to Contact

Taffie Chibanguza – SEIFSA Economist – Taffie@seifsa.co.za or 011 298 9432
Faith Mabaso – SEIFSA Marketing Manager – Faith@seifsa.co.za or 011 298 9456

The SBH YOUR PARTNER IS COMPLIANCE!

MANAGING **HIV/AIDS** IN YOUR WORKPLACE

To increase the chances of success of your company's HIV/AIDS prevention strategy it's a good idea to have an effective approach to what and how you plan to communicate, and with whom. The last article discussed a few guidelines on the 'how' and 'with whom'; this article takes a closer look at the 'what' part.

From the last article we're a little more clued up on what types of audiences and the kinds of communication channels there are, but what should these communication campaigns be talking about? What type of information should be focused on in communication campaigns related to your company's HIV/AIDS strategy? Here are a few pointers with examples:

1. Communication to provide information on workplace activities and services – for example, your company is planning to provide its employees with access to a clinic at the workplace once a week. Launch a communication campaign to make employees aware of these services and potentially increase uptake
2. Communication about company policies and HIV/AIDS strategies – e.g. you could communicate any changes made to policies and strategies to employees to keep them up to date, these communications could also serve as a great opportunity to present a brief outline of what the company's policy and strategy says and why the changes are being made.
3. Education and training on HIV/AIDS prevention and care – e.g. skills development and training on basic knowledge of HIV/AIDS and awareness of stigma and discrimination and the negative effects on productivity and morale could form the basis of a series of communications
4. HIV/AIDS related reports relevant to general employees or management – e.g. reports released by UNAIDS or the South African Department of Health could provide valuable insights into how the world and South Africa is managing the pandemic; these reports not only provide accurate HIV/AIDS-related information but can also be used to support management decision-making
5. Similarly, your communication campaigns could talk about issues such as: values and traditions that may be fuelling the epidemic, gender inequality, discrimination against HIV infected employees, employee fears, concerns, and so on.

These are but a few examples of the types of information you could include in communication campaigns linked to your HIV/AIDS strategy. The Department of Labour's Code of Good Practice , on HIV and AIDS and the World of Work states in its introduction that "Every person should take personal responsibility in relation to HIV and AIDS to educate themselves, prevent transmission, seek available treatment and treat others with dignity and respect". Carefully planned and well-executed workplace communication campaigns can assist in seeing this and other goals of the above mentioned Code become a reality.

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

Email: info@redpeg.co.za | **Tel:** (011) 789 2007 | **Web:** www.redpeg.co.za

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ECONOMIC DIFFICULTIES: RETRENCHMENTS AND THE TRAINING LAYOFF SCHEME

SEIFSA is continuously giving daily advice to companies which need to consider retrenchments, lay-offs and short-time, as well as representing companies in the consultation meetings that companies have to enter into before implementing any of these events. At times the unions have suggested that companies consider the Training Layoff Scheme. Let's take a look at some key points of the scheme.

A framework document titled; 'Framework for South Africa's response to the international economic crisis' developed several years ago, contains the response of organised labour, business, community and government to how South Africa should respond to the difficult economic conditions facing the country, its people and businesses as a result of the international economic crisis.

A key principle governing the response is to ensure that all activities are aimed at strengthening the capacity of the economy to grow and create decent jobs once the current economic difficulties are over. Training and skills development is an important element of the response and is one of the main ways in which human capacity can be strengthened during a period of economic downturn.

In recognition of this, the framework document prioritises training and skills development and introduces the training layoff as follows:

Training and skills development need to be prioritised, quality improved and the learnership programmes enhanced. In addition to other measures to avoid retrenchment, one further option that the parties will consider is training layoffs, financed by the National Skills Fund (NSF) and Sector Education and Training Authorities (SETAs), for workers whose employers would ordinarily retrench them and which can be introduced on terms that would keep them in employment during the economic downturn, but re-skill them as an investment for the future economic recovery.

A training layoff is a temporary suspension of work of a worker or group of workers that is used for training purposes. The layoff depends on an agreement between an employer and a trade union on behalf of workers, or, in the absence of a trade union, between an employer and individual workers, who may otherwise be subject to dismissal for operational requirements.

Participation in a training layoff is voluntary. While it is voluntary, the social partners are strongly encouraged to participate in the training layoff as an alternative to retrenchment. Those that do agree to participate will be subject to the general rules and procedures that have been agreed to by the social partners in the NEDLAC process.

The employer must continue the contract of employment. While parties are free to negotiate a continuation of existing social benefit employers shall pay full contributions to a basic social security package to which a worker is entitled at the time of the introduction of the training layoff (i.e. disability and death cover, pension/provident funds, unemployment insurance).

The payment of these contributions will be for the duration of the training period. In other words, the aim is to ensure that the contract of employment remains in place and only the wage component changes.

The worker(s) agrees to forego his/her normal wage, to attend a training programme and to accept a training allowance during the period of training.

The key elements of the scheme that have been agreed to by the social partners and as announced by the President on 5 August 2009, are as follows:

- A temporary suspension of work used for training;
- Retention of the employment contract;
- Training to be flexible, but linked to the skills needs of the employer;
- A training allowance paid to the worker;
- Employer carries cost of a basic package of social benefits.

A training layoff scheme is based on the principle that it will be available to vulnerable workers and employers who are affected by the economic recession. In order to ensure its successful implementation, it will rely on the collective efforts of the following entities:

- Commission for Conciliation, Mediation and Arbitration (CCMA) – responsible for facilitating, overseeing or verifying all training layoff consultations and agreements. The CCMA will ensure that training layoff agreements comply with the general rules and procedures of the scheme;
- SETAs will be responsible for facilitating the provision of training, funding training costs, applying to the NSF for training allowances and disbursing funds to employers;
- The NSF (with financial support of the UIF) will be responsible for processing applications for training allowances and, in certain cases, training costs;
- Employers, trade unions and bargaining councils will play an active role in the training layoff scheme;
- The Department of Labour (DOL) will be responsible for oversight and monitoring of the training layoff scheme, including the distribution of an implementation guide;
- The Department of Trade and Industry (“the dti”) will be responsible for ensuring that distressed sector support is coordinated with the training layoff scheme;
- The Economic Development Department (EDD) will be responsible for assessing the economic and developmental impact of the training layoff scheme.

Employers stand to gain from a training layoff by reducing payroll costs for a period so as to ensure that the employer remains afloat and has an opportunity to strengthen itself and therefore be in a position to reabsorb workers. Employers also have an opportunity to build the skills of their workers at little cost. The training layoff scheme should not be used opportunistically by employers to reduce costs irrespective of their financial situation.

Workers under threat of retrenchment should consider a training layoff as a serious alternative to retrenchment, rather than opting for a severance package. Workers gain further skills through a training programme and their access to basic social benefit package is maintained at no cost to them. In addition, they retain their contract of employment for longer. They also have access to an allowance – will receive, if they are on full lay-off, an allowance equal to 75% of the worker’s basic wage, subject to a maximum allowance of R9358.00 per month, and will receive, if they are on short-time, a proportionate allowance as specified in the Agreement.

In conclusion, the scheme is a great initiative, but unfortunately there is a lot of administrative red tape that employers have to work through, which may be a discouragement. They would need to liaise with multiple organisations when accessing the Training Layoff Scheme. First you would need to notify the Commission for CCMA and co-ordinate your application with them (you could negotiate a training layoff agreement independently, but the CCMA would still need to approve it).

Once your training layoff agreement has been approved, you would need to contact the relevant SETA for your industry to finalise training options. Finally, the National Skills Fund is responsible for settling the cost of the training allowance, but does so via your SETA (which, in turn, transfers the funds to you).

The following address should be used for e-mail queries on the Training Layoff scheme:

TrainingLayoff@CCMA.org.za or CCMA Call Centre Number : 0861 16 16 16

If companies need any assistance with retrenchments, lay-offs and short-time, including representation in the required consultation meetings with unions and employees, please do not hesitate to contact the SEIFSA office in this regard.

Michael Lavender

Industrial Relations Manager

CONFUSION AS THE COURTS RULE CONTRARY TO SECTION 143 OF THE AMENDED LRA

Following the coming into force of the Labour Relations Amendment Act (LRAA) status of enforcement awards issued by the Commission for Conciliation, Mediation and Arbitration ("CCMA") in terms of the amended section 143 of the Labour Relations Act 66 of 1995 ("LRA") remains a difficult issue.

Two cases of MBS Transport CC CCMA v Three Others and Bheka Management Services v Jonathan Kekana and Two Others were brought before the Labour Court on an urgent basis in order to stay the enforcement of the awards that were issued and certified by the CCMA. The cases were heard at the same time as the facts were similar and dealt with the same question of law.

In both cases, the Sheriff had attached the employer's property, but had not yet removed them from the premises of the employer. The employers sought an order from the Labour Court to stay the enforcement awards, pending the outcome of their respective review applications.

The amended section 143 of the LRA provides that an arbitration award issued by a commissioner is final and binding and it may be enforced as if it were an order of the Labour Court in respect of which a writ has been issued, unless it is an advisory arbitration award (s143(1)). Further, an arbitration award may only be enforced in terms of subsection (1) if the director has certified that the arbitration award is an award contemplated in subsection 1 (s143(3)).Despite subsection (1), an arbitration award in terms of which a party is required to pay an amount of money, must be treated for the purposes of enforcing or executing that award, as if it were an order of the magistrate's court (s143(5).

The court considered whether it had jurisdiction to stay the writs issued by the CCMA. After considering relevant case law, the court held that an application to set aside a writ can only be made to the court that issued the writ. The court further held that section 157(1) of the LRA specifies the matters over which the Labour Court has exclusive jurisdiction, whereas section 157(2) confers upon it concurrent jurisdiction with the high court in respect of certain matters. The court, therefore, concluded that the granting of a stay of a writ by the CCMA or by the magistrate's court falls outside the Labour Court's powers.

The court also considered whether the CCMA had the power to issue writs. It found, on a plain reading of section 143 of the LRA and rule 40 of the Rules for the Conduct of Proceedings before the CCMA, that it is clear that the CCMA is not statutorily given the authority to issue writs and the certification of an award and its subsequent execution through the Sheriff is in fact beyond its legal powers or authority.

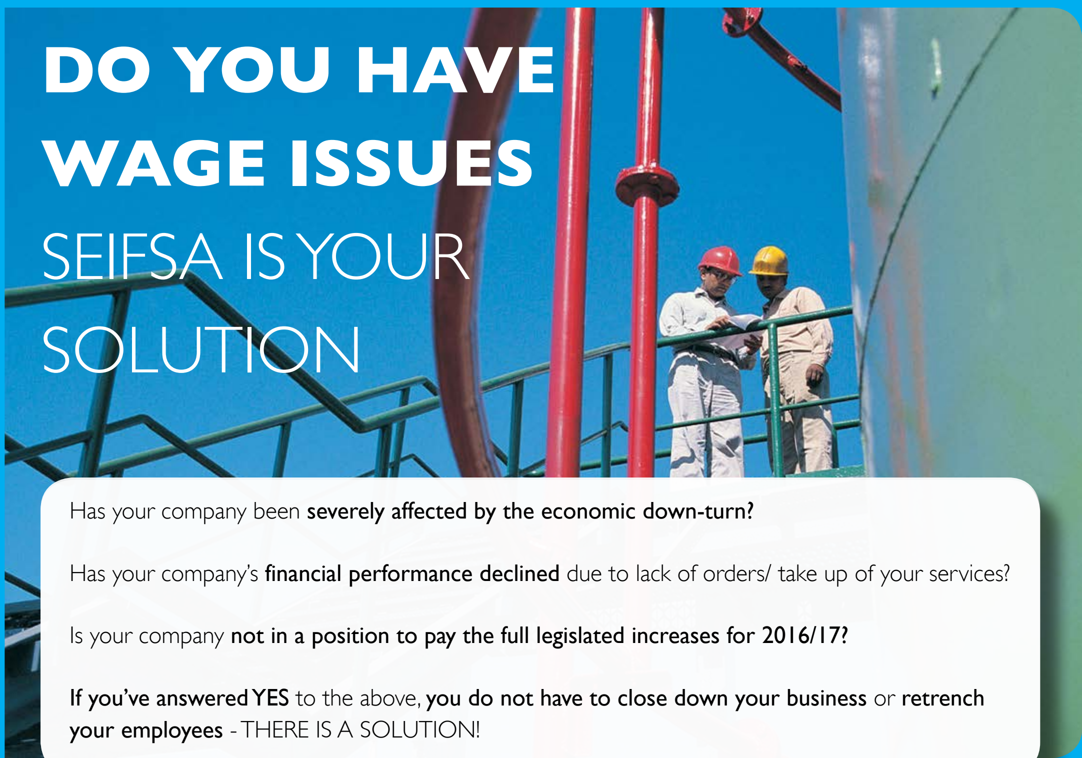
In the circumstances, the court held that the proper course to follow is for litigants to issue the writs of execution in satisfaction of the arbitration awards in the Labour Court.

This decision creates confusion and is in contradiction to the memorandum of objects on the Labour Relations Amendment Bill, 2012, which stated that the amendments to section 143 of the LRA sought to streamline the mechanism for enforcing arbitration awards of the commission and to make them more effective and accessible by removing the need for the parties to have a writ issued by the Labour Court.

In view of the above, employers should be aware that this decision remains binding until it is set aside by the Labour Appeal Court. As such, employers will most probably still be served with writs issued by the Labour Court and should approach the Labour Court to stay the enforcement of the writs pending the outcome of review proceedings instituted

Bridgette Mokoetle

Industrial Relations and Legal Executive



Has your company been **severely affected by the economic down-turn?**

Has your company's **financial performance declined** due to lack of orders/ take up of your services?

Is your company **not in a position to pay the full legislated increases for 2016/17?**

If you've answered YES to the above, **you do not have to close down your business** or **retrench your employees** - THERE IS A SOLUTION!

Did you know that the MEIBC Main Agreement makes provision for struggling businesses to make application for exemption from paying the statutory wage increases?

If your company is unable to pay the legislated increases, SEIFSA can assist it in the following ways:

Engagement and consultations with the employees and the trade unions;

Preparation and lodging of the application for exemption to the MEIBC;

Representation at the hearing of the application before the Gauteng Regional Office of the MEIBC; and

If necessary, drafting an appeal application if the application is declined and/or representation at the IEAB (Independent Exemption Appeal Board).

Do not delay, your application for exemptions in respect of wage increases must be lodged with the MEIBC by no later than 30 June 2016

SEIFSA

Steel and Engineering Industries Federation of Southern Africa

OUR PASSION, YOUR SUCCESS

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