SEIFSA NEWS

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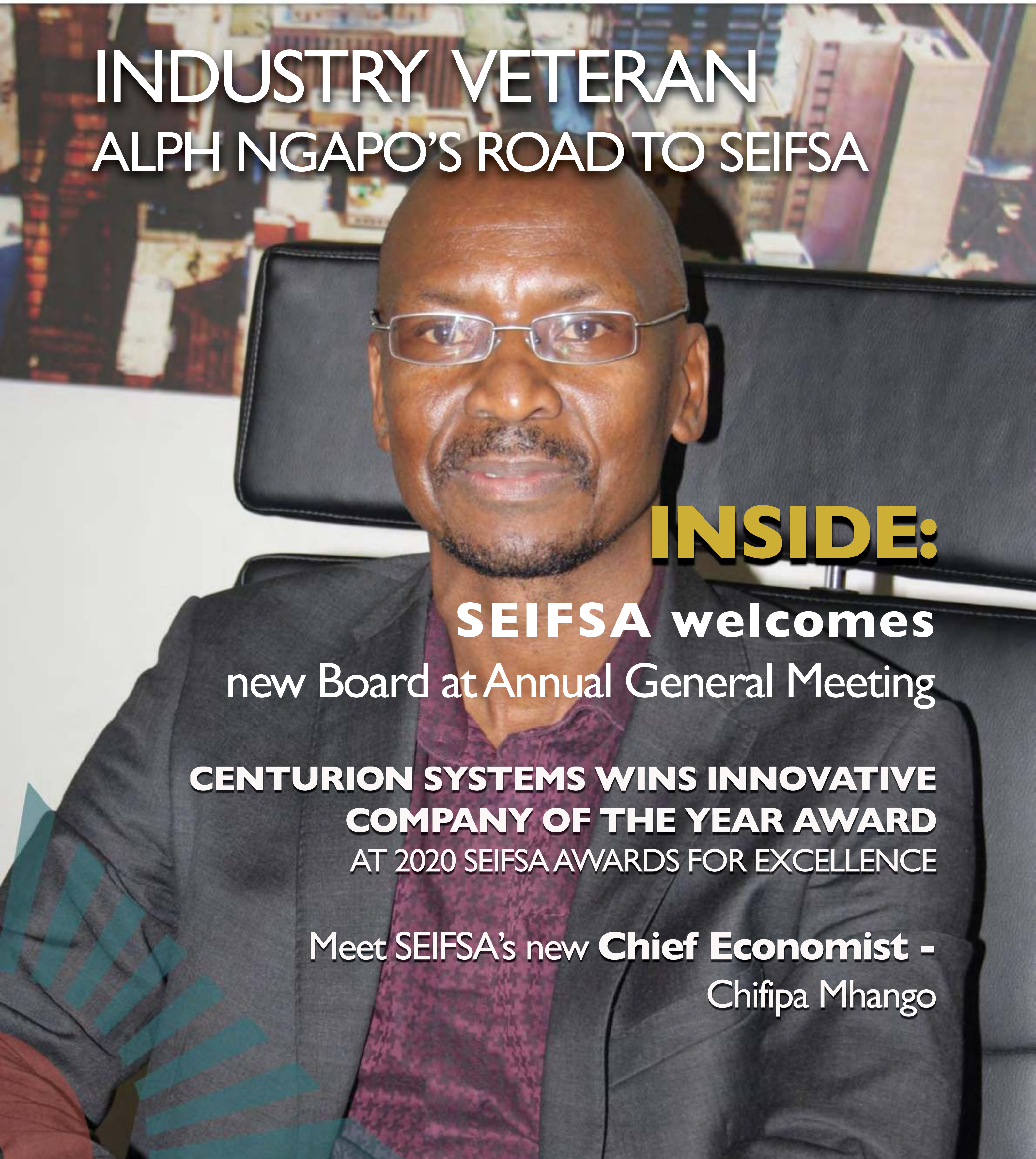

INDUSTRY VETERAN
ALPH NGAPO'S ROAD TO SEIFSA

INSIDE:

SEIFSA welcomes new Board at Annual General Meeting

CENTURION SYSTEMS WINS INNOVATIVE COMPANY OF THE YEAR AWARD AT 2020 SEIFSA AWARDS FOR EXCELLENCE

Meet SEIFSA's new **Chief Economist -** Chifipa Mhango

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SEIFSA's newly elected President Alph Ngapo chats to *SEIFSA News* about the year ahead

November / December 2020

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FROM THE CEO'S DESK

Finally, 2020 is slowly coming to an end – and not a moment too soon. By all accounts, it has been a terrible year not just for South Africa, but also for much of the world, thanks, in no small measure, to the Coronavirus 2019 pandemic (COVID-19).

Of course, our economy was in trouble long before the advent of COVID-19. We had already been experiencing anaemic economic growth for a few years, with rising levels of unemployment and a growing number of companies being liquidated. Given the country's soaring debt levels and the growing budget deficit as Government revenues declined while public expenditure continued to soar, it did not come as a surprise that our sovereign credit rating was reduced to sub-investment levels by all three global ratings agencies.

The collapse and growing indebtedness of a number of State-owned enterprises, which we now know were a major feeding trough for the corrupt during the Zuma era of State capture, saw them becoming major liabilities to the fiscus and worsened our economic malaise. The period from 2009 to 2018, which coincided with the Zuma presidency, saw the country and its citizens growing poorer than they were before then. Nothing, therefore, provides more support to the proposition that South Africa experienced "[almost] 10 lost years" during the Zuma presidency than that reality.

We commend all those companies which are still standing strong as we near the end of the year. 2020 was by far the most difficult year for most of us in living memory, and many say since the end of the Second World War in 1945 – and COVID-19 is still with us.

That means that any company that remains standing and a going concern as 2020 comes to an end is a phenomenal achiever. We recognise, commend and support you. We wish you well in the year ahead. As your Federation, we will continue to work hard to support you in any way that we can.

With the very important elections that took place in the US on 3 November 2020 having been won by Democrat Joe Biden, we hope that America will again engage more meaningfully with the international community, including South Africa and our continent, and that the world economy will be much healthier in a post-COVID-19 era. With economic relations likely to return to normality between the USA and China, which were dangerously strained by the out-going, self-serving Donald Trump, the global economy should be stronger in 2021 than it was this year.

Colleagues and I wish all member companies and affiliated Associations – and the people behind them – a good rest during the festive season and the very best in 2021. With 2021 also being the year when tough negotiations will take place with labour on wages and conditions of employment, following the official postponement of negotiations this year, there will be an even greater need for maximum unity within the SEIFSA family.

On our return to work in January 2021, we will be seized with preparations for the sixth Southern African Metals and Engineering (M&E) Indaba, which will take place in March. The M&E Indaba will again be a very important opportunity for companies in this sector to engage with key stakeholders like labour – well ahead of the 2021 wage negotiations – and, more importantly, policy makers in Government. Some Cabinet Ministers, such as Public Enterprises Minister Pravin Gordhan, have already confirmed their attendance. The Indaba is particularly important in a year when the Steel Master Plan should be finalised.

Kaizer M. Nyatsumba
Chief Executive Officer

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INDUSTRY VETERAN ALPH NGAPO'S ROAD TO SEIFSA

SEIFSA, as an advocate for the Metals and Engineering (M&E) industry, prides itself in the partnerships and relationships it has built over the years with not only Associations and Member companies, but also individuals from companies who share the Federation's ambition of creating a thriving industry that benefits all South Africans.

One such individual is Mr Alpheus M Ngapo, who has been a board member of SEIFSA for several years, having joined the SEIFSA board as a representative from ArcelorMittal South Africa Limited, a role that he says he has enjoyed immensely over the years and that enables him to contribute his industry knowledge and expertise to the Federation as it fulfils its mandate. Mr Ngapo, who possesses an Honours Degree in Accounting Science qualifications and MBA from Unisa, was elected President of SEIFSA at the Federation's Annual General Meeting in October.

Mr Ngapo, who also completed a Management Development Programme from the University of Virginia in the US, does, indeed, offer a deep well of knowledge, having worked in the M&E sector for nearly two decades, progressing from Finance Manager at Amsa (then called Iscor) to General Manager of Vereeniging Works.

When Mr Ngapo first joined the M&E sector through ArcelorMittal South Africa Limited back in 2003, he became the first black South African to be a divisional head of Finance, the first black General Manager to head the steel manufacturing

operations and the first black person to be the head of the sales and marketing function as Chief Marketing Officer. "I pride myself in the fact that I helped create the pathway for transformation at the company," he says.

He is also proud of his career advancement within several organisations, and has occupied senior managerial positions in a variety of industries throughout his career, which include, among others, Financial Services, Transportation, Brewing, Packaging, Construction and Petrochemicals, among others. His very first job was as a temporary teacher at Malatse-Motsepe High School in Mmakau village.

This experience gave him the opportunity to gain a much wider view of industry interdependencies across a range of areas. He has also occupied directorships in unrelated industries.

"By virtue of being in senior roles within these industries, I find that I have become quite versatile – quick to grasp the challenges and apply my mind to a variety of situations to navigate issues. You could say I always hit the ground running and have a good sense of judgment," he adds.

On his coming year as SEIFSA President, he says he is looking forward to engaging with key industry stakeholders and role players, adding that SEIFSA has an important role in influencing the creation of an enabling environment for industry sustainability not only in South Africa, but also in Southern Africa as a whole. He says what will remain key for the Federation is to continue to work hand in glove with all stakeholders and organs of the State for the M&E sector's survival in the short term and sustainability in the long term.

"The M&E sector is at the core of beneficiation as South Africa is rich in natural resources. There is no better industry than ours to help the country beneficiate its mineral resources locally," he says.

While Mr Ngapo is passionate about the M&E industry, it is his family and its support that has helped him become the leader he is. "Family is the foundation of success," he says. When he is not working, he says he loves to be at home embarking on subsistence farming activities with his family – his wife, Nelly, and four children, Boitumelo, Kabelo, Boitumelo and Tumelo – yes, two of his children share a name, he says, joking that it was a Home Affairs error. "I am often away from home, but my family understands the importance of my work," he adds.

Living away from the hustle and bustle of city life on an agricultural holding helps keep him sane, as does his passion for running and jogging as well his love for Christianity and teaching.

SEIFSA WELCOMES NEW BOARD AT ANNUAL GENERAL MEETING

SEIFSA named its new board at the SEIFSA Annual General Meeting in October.

Parc RGM Chief Financial Officer Alpheus Ngapo was elected SEIFSA President, while the Federation's Vice-Presidents are Elias Monage, MphoNo Energies Managing Director and KSB Pumbs Director Nonhlanhla Ngwenya and Auto Industrial CEO Andrea Moz.

Alpheus Ngapo

Elias Monage

Nonhlanhla Ngwenya

Andrea Moz

Other Board members are Zimco Group Human Resources Manager Ellen Veldhoven, Dynamic Fluid Control CEO Tumi Tsehlo, Reinforcing Steel Contractors Operations Director Ernst Volschenk, Rheinmetal Denel Munition Senior Human Resources Practitioner Ntobeko Panya, South African Mint Company Managing Director Honey Mamabolo and Frigoglass South Africa Human Resources Practitioner Ryan Haynes.

Following the successful conclusion of the AGM, SEIFSA was honoured to host renowned academic Khaya Sithole at its Presidential Breakfast.

Mr Sithole addressed guests and SEIFSA employees at the Breakfast, saying weaknesses in Government leadership were holding South Africa back, to the detriment of current and future generations.

Mr Sithole said the COVID-19 pandemic had brought into sharp focus the leadership problems facing South Africa, which would affect South Africans politically, economically and socially for generations to come. He bemoaned the fact that South African politicians did not appreciate the fact that they were the servants of the people, and that members of the general public did not punish the current Government by exercising their rights to vote for other parties which offered different visions for the country.

Mr Sithole said voters needed to shoulder the responsibility for the lack of leadership and the decay in which the country finds itself. "You get the government you deserve," he said.

He said the only way to get the Government to deliver on its mandate these days was to litigate, as had been previously done by organisations such as Equal Education, which had taken the Department of Basic Education to court to force it to eradicate pit latrines.

Outgoing SEIFSA President Elias Monage also highlighted weaknesses in Government leadership, pointing to Government entities' inability to support Metals and Engineering (M&E) businesses as a contributing factor to the sector's troubles. He said State-owned companies (SOCs) had become liabilities on the fiscus, instead of being drivers of economic growth.

> Protection seems to be a choice between losing the entire sector or trying to ride the short-term storm and adjust for the future

Mr Monage said it was worrying that where SOCs and different spheres of government have had infrastructure projects with the potential to stimulate the economy, they have tended to conveniently forget about designation and imported goods which local manufacturers have the capacity to manufacture.

"It is not surprising, therefore, that in the past year metal sector average output declined by 3%, net operating surplus dropped by 1.3%, formal employment declined by roughly 21,000 and the sector's fixed investment cumulatively contracted by 19%, contributing to a sector trade deficit of R23-billion," Mr Monage said.

He emphasised that the M&E sector remained strategic to the local economy and was crucial in creating both labour-intensive and capital-intensive jobs. It had important direct linkages with the primary sector, other key industries and the tertiary sector of the economy.

Mr Monage said the M&E sector was facing unfair competition from highly-subsidised Asian economies, which had resulted in accelerated import penetration of their products into the South African market over the last year.

"The protective measures already in place and those still in the pipeline for basic steel producers are likely to help, but they will not be enough. Primary steel producers are in such distress that short-term downscaling is unavoidable.

"For various reasons, South African production costs are higher than the lowest-cost quantile of producers in the world, who are simply overrunning our market. Protection seems to be a choice between losing the entire sector or trying to ride the short-term storm and adjust for the future," he said.

Mr Monage said long-term recovery would not be easy. He said the sector was intimately linked to the fortunes of the mining, construction and auto sectors which, as a group, directly contributed 15% (R466-billion) to GDP in 2019 and, depending on the indirect and induced multipliers, up to twice this number. On its own, the M&E sector contributed R110-billion to GDP. These four sectors exported and earned a huge proportion of the country's foreign exchange, and employ directly about 1,5 million people, he said.

"Recovery in each of these three sectors and of export demand would be crucial for the M&E sector over the longer term," he said.

CENTURION SYSTEMS WINS INNOVATIVE COMPANY OF THE YEAR AWARD AT 2020 SEIFSA AWARDS FOR EXCELLENCE

The COVID-19 pandemic may have disrupted many of SEIFSA's activities this year, but it failed to halt SEIFSA's commitment to rewarding excellence and innovation within the Metals and Engineering (M&E) industry through the SEIFSA Awards for Excellence.

This year's SEIFSA Awards for Excellence were held at Summer Place in Boksburg, with SEIFSA staff, the winning companies and representatives from the SEIFSA Board and Member Associations coming together to celebrate the Award winners.

Welcoming guests at the Awards, SEIFSA CEO Kaizer Nyatsumba said that 2020 had been a tough, unprecedented year and said the fact that the companies that had entered the Awards had managed to submit their entries, were still going strong amid the pandemic, and had taken the time to attend the event, made them all winners.

Mr Nyatsumba also thanked SEIFSA's strategic partner and Awards sponsor, Rand Mutual Assurance, adding that the partnership was set to be strengthened, with several initiatives in the pipeline, including an Enterprise and Supplier Development Fund, the creation of an innovation hub and the accelerated training of artisans at the SEIFSA Training Centre.

This year's Awards covered the period between July 2018 and December 2019.

Centurion Systems walked away with the Most Innovative Company of the Year Award, while Pamodzi Unique Engineering won the Most Transformed Company of the Year Award for the second year in a row. Babcock Ntuthuko Engineering won the Health and Safety Award of the Year, while Beka Schreder took home the Award for Best Corporate Social Responsibility of the Year and Kgabo Cars and Training & Services won the Artisan of the Year Award.

There were no entries for the Environment Stewardship Award and the Customer Service Award this year.

Centurion Systems was selected as winner of the Innovative Company of the Year Award for creating a solution "that pushed the boundaries of speed, intelligence and technological sophistication, whilst giving a superior user experience". Its D5 Smart gate motor had lived up to the company's brand essence of "making lives easier", the judges said.

Centurion Systems walked away with the Most Innovative Company of the Year Award

Pamodzi Unique Engineering

Beka Schreder

Pamodzi once again received the Most Transformed Company Award, having stood out for the consistent and successful implementation of its transformation strategy over the past five years, which culminated in it achieving a level 1 status on its scorecard for 2019. The judges were especially impressed by its successful apprenticeship programme and enterprise and supplier development initiative.

While Beka Schreder was the only entrant in the Best Corporate Social Responsibility category, the judges saw it fitting to recognise it for the work it had done in uplifting a community in one of the more impoverished areas of the country. By installing 160 LED streetlights in the East London town of Chintsa East in the Eastern Cape, Beka Shreder had enabled community members to walk freely and children to play at night.

Babcock Ntuthuko Engineering

Kgabo Cars and Training & Services

Babcock Ntuthuko Engineering won the Health and Safety Award, having displayed excellence in this category through several interventions put in place to safeguard its employees. The interventions resulted in the company recording a zero disabling injury incident rate across all its business units, a performance that it has maintained for the past 24 months.

In the Artisan of the Year category, Kgabo Cars and Training & Services won for the highest activity in artisan training for itself and the industry. In 2019 alone, the company trained 67 apprentices at different levels.

In addition to these Awards, SEIFSA recognised the Cape Engineers and Founders' Association with the CEO's Award for the Association of the Year. This prestigious award is presented to a SEIFSA-affiliated Association that has shown the best level of compliance, growth, participation and benefit offered to its membership and for promoting the interests of members in a specific region or sector.

HC Heat-Exchangers received the CEO's Award for Company of the Year for having engaged with SEIFSA the most, using the Federation's products and services and attending its events.

Finally, Jeffery Thomas, who is currently Director of the SA Reinforced Concrete Engineers Association (SARCEA), was honoured with the CEO's Award for Outstanding Contribution to the Industry. Mr Thomas has played a significant role in the industry for the past 50 years. Apart from being at the forefront of various training schemes, he has served on the SEIFSA Council for the past 25 years as a representative of SARCEA.

Commenting on the winners, Mr Nyatsumba said: "I congratulate all the recipients of tonight's Awards. Each one of them demonstrates that the M&E industry is brimming with potential and excellence, giving us the confidence that we can turn the industry's fortunes around if we all focus on building partnerships that allow us to focus on our strengths and excellence."

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ANNUAL SEIFSA GOLF DAY 2020

SEIFSA Golf Day 2020 winners

TEE-TIME AT THE WANDERERS GOLF CLUB

The year 2020 has been tough for businesses and individuals alike, and many cannot wait for it to end and are hoping for a better 2021 that will herald the end of the COVID-19 pandemic and a return to the old normal.

While 2021 is still a few weeks away, SEIFSA managed to give its stakeholders a taste of the old normal as it hosted its Annual Golf Day on 27 November at the Wanderers Golf Club in Illovo, Johannesburg.

Unfortunately, the fun day out was interrupted by rain, with several teams unable to complete their rounds. But, having tallied the score cards, SEIFSA was delighted to present the coveted SEIFSA Trophy to Team Sanlam – one of the major sponsors of the day. Team RMA, also a sponsor, came in at second place, followed by Team merSETA.

SEIFSA would like to thank the following organisations for sponsoring holes and prizes:

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A SHINING EXAMPLE OF GRIT AND COURAGE

It is well known that the Mining and Engineering industry, along with the broader manufacturing industry, has been under strain for years. SEIFSA has been at the forefront of efforts to lobby the Government to support the sector and is always encouraged by the pockets of excellence that prove that with the right kind of support, the sky is the limit for companies operating industry and broader manufacturing industry.

When Southern Africa Stainless Steel Development Association (Sassda) member Duvha Foundry was founded in 2012, it was understaffed, underequipped, and underfunded. And yet, it is now a shining example of success against all odds. Given how little it had to go on, how did it grow from a tiny operation with just six employees to the medium-sized, multimillion-rand operation it is today? The answer lies in the drive, ambition, and sheer guts of its owner, Stanley Tshivhase and his team.

APTITUDE

Growing up in rural Venda, Mr Tshivhase felt the lure of the city, and always had a drive to make it big in Johannesburg. To his mind, that meant a career in mining, which he tried to pursue at the Technikon Witwatersrand (University of Johannesburg). “They wouldn’t let me study mining,” Mr Tshivhase recalls. “They made me take an aptitude test, and the results showed I would do best at physical metallurgy. I said, at least let me do extractive metallurgy, but they refused.” Despite being forced into it, Mr Tshivhase found himself falling in love with physical metallurgy, to the extent that he stuck with it after moving to The Vaal University of Technology (Vaal Triangle Technikon).

BIG SMALL BUSINESS

At about this time, the Union Steel Corporation (USCOR) was looking to take on a trainee metallurgist. They approached Mr Tshivhase's lecturers who, recognising the young man's passion, recommended him for the position.

After training his way up the ladder in the USCOR Quality Assurance lab, Mr Tshivhase embarked on a successful career working as a metallurgist at several prestigious companies. Much of the work he did involved testing products for quality and performance, heat treatment and melting and advising on how processes might be improved.

It was while working at Independent Foundry that he had an epiphany. "I realised that a foundry is a small business," says Mr Tshivhase. "It looks big, but really, it's a small business. And I thought this is something I can do." Convinced that he now had the experience to go it alone, Mr Tshivhase resigned and set about polishing a business plan. "I remember saying to my wife, 'That's the last time I work for a boss. Now I want to be the boss."

Stanley Tshivhase, Director and owner of Duvha Foundry

ALL ABOUT THE MONEY

Mr Tshivhase's plan called for R2.5-million in startup capital, which would cover the purchase of basic foundry equipment and float the business for as long as it took to find its feet. But besides owning a home in the township, he had no bankable assets. Almost everywhere he turned, he met strong financial resistance. "I remember the South African Institute of Foundrymen advised me not to do it. They told me that the time was wrong and that I shouldn't even think of starting a new foundry without at least R5-million in hand. They referred me to the Industrial Development Corporation, who couldn't help me. They referred me to the Department of Trade and Industry, who were happy to meet with me, but also couldn't help me financially."

Undeterred, Mr Tshivhase began approaching banks. Standard Bank offered him a R500,000 personal loan, which still wasn't enough. FNB declined, citing a moratorium on financing startups. Absa refused point blank. Nedbank, on the other hand, took a different view.

"These guys were keen," recalls Mr Tshivhase. "They started asking a lot of questions. What is a foundry? What is my view of the market? Why do I think this business plan will succeed? I seemed to be giving them the right answers. I think they were able to see what I was trying to achieve.

"They asked me for additional information related to the market, letters of intent and my contribution, which was, however, difficult to raise, until I met Richard Child from Conbrako, who understood my vision."

THE ESSENTIAL EQUIPMENT

In the end, Nedbank offered a R1,2-million loan, with an additional R150,000 overdraft facility – less than half of what Mr Tshivhase needed for the business. But he decided he might just be able to make it work.

"It was tough," says Mr Tshivhase. "I had to opt for a second-hand furnace. I approached the guys at Solid State and showed them a Chinese furnace I was looking at for R500,000. They said, 'Don't worry, we'll find something better second hand for you,' and they did. Next, I needed a spectrometer – the essential equipment. I approached IMP Scientific and they helped me too."

Duvha's foundry in Chamdor, Krugersdorp

MOVING FORWARD

By working his contacts and calling in favours, Mr Tshivhase managed to kit out a fully-fledged foundry operation in an 800m2 workshop. He named it Duvha – which means the sun that rises and shines in tshiVenda.

But having a foundry is all well and good – you also need orders. Having acquired the equipment and hired six members of staff, Mr Tshivhase then spent four tense months hunting for work while the money dwindled.

CAN YOU MAKE THIS?

The first major order came from Conbrako, who was looking for a South African foundry to cast draw gear components that they were already having made in China.

Competing on price was difficult, but where Duvha could deliver was vastly improved lead time and quality. "They compared our castings to the ones they were getting from China," says Mr Tshivhase, "and they were extremely impressed.

So, they started placing orders. They were our first customer and still are today."

From that point, the business grew from strength to strength, mostly through word of mouth. Duvha Foundry now services clients in a wide range of markets, including automotive and rail, the mining sector, engineering firms, power companies, and petrochemical companies.

Ability to deliver a quality product on time drives repeat business, and much of that success comes from Mr Tshivhase and the team's hands-on approach.

"Guys would walk in and be amazed that there was a black foundry here in Chamdor. They couldn't believe it. They'd ask us if we could make something, and we'd say yes. We've had great support from all our customers."

Ability to deliver a quality product on time drives repeat business, and much of that success comes from Mr Tshivhase and the team's hands-on approach

Duvha's foundry has grown from just six employees to 42

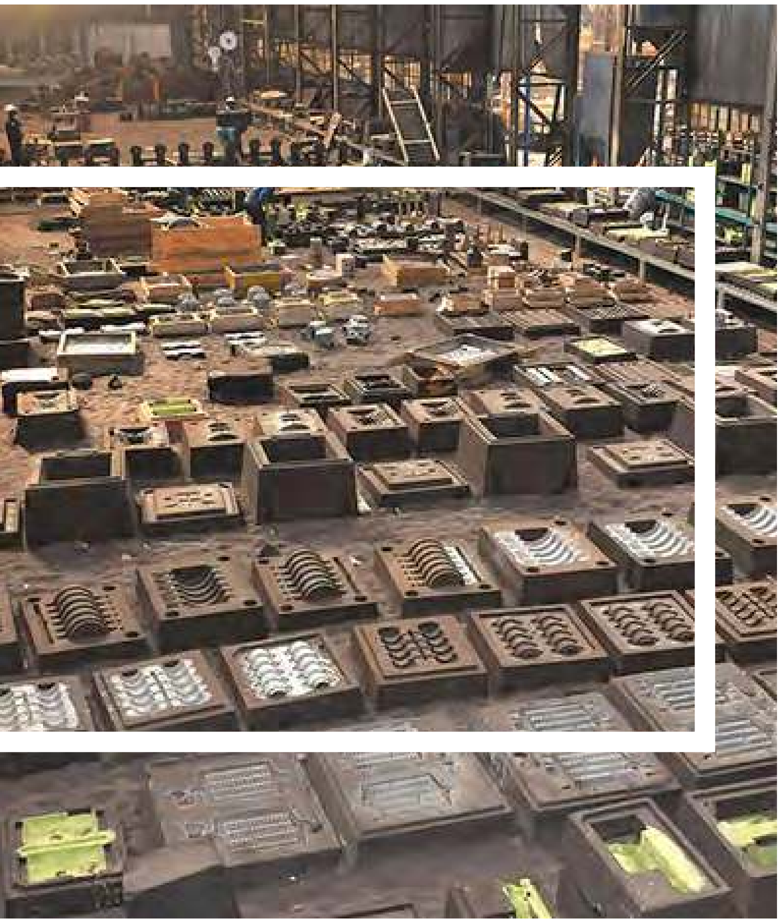
COMMUNITY DEVELOPMENT

In the four years that it's been in business, Duvha Foundry has grown from six employees to 42. Finding people with the right experience has been difficult, but Mr Tshivhase considers staff development part of his responsibility as an employer.

"This is an industrial area, so you always find guys around this area looking for work. None of them will have foundry experience, but if they have at least matric, we might take some of them and train them on different foundry activities like moulding, painting, closing,melting, fettling and heat treatment."

That training isn't limited to being taught how to operate equipment; Mr Tshivhase ensures that his workers obtain relevant qualifications and certifications through Sassda and SAIF and university institutions. "My guys are immensely proud of the skills they've obtained. You take someone who has just matriculated, who didn't know how to do moulding, who didn't know how to melt or cut a casting and you train them.

And now they have confidence, knowledge and drive. You can see it in their eyes, they become assertive and proud."



EXPANSION

Duvha Foundry may have started small, but it is now anything but. The single, second-hand furnace the company began with has been joined by four others, with capacities ranging from 150kg.

Having outgrown their 800m2 workshop, Duvha now occupies a 5,200m2 under roof factory in Chamdor. They can execute castings with yields from as low as 2,5kg up to 1,500kg, in a range of iron grades, steel grades and stainless steels.

This rate of successful growth in only four years is remarkable, especially considering the current economic climate. Mr Tshivhase acknowledges that it's sometimes hard to compete with Chinese imports based purely on price, but where Duvha Foundry excels is unbeatable lead time and a pedantic focus on quality. But given how many years Mr Tshivhase worked in metallurgical Quality Assurance, heat treatment and melting, that last point is hardly surprising.

* This feature was contributed by Sassda

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A SUSTAINABLE FUTURE: GREEN BUILDINGS ARE KEY TO REDUCING ENERGY CONSUMPTION

by Thabang Byl, Digital Energy Lead at Schneider Electric South Africa

Construction is a key sector to address South Africa's housing shortage and infrastructure needs and thus is unlikely to slow down. The sector is also at the forefront of economic recovery plans as it has the double advantage of being labour intensive with a knock-on effect on many industry sectors in its supply chain.

As a consequence, the construction industry worldwide is facing growing challenges in conserving material and energy resources, as well as reducing its CO2 emissions. Buildings presently account for approximately 40% of the world's energy consumption, and that figure is on the rise. Beyond energy use, buildings are also responsible for nearly half of all greenhouse gasses, specifically carbon dioxide.

With Africa facing rising urbanisation and population growth, construction is a sector that cannot be overlooked when considering green initiatives.

South Africa has committed to the Uniited Nations Sustainable Development Goals which means taking tangible action work towards achieving these goals. Three goals in particular come to mind when considering the construction industry: sustainable cities and communities, responsible consumption and production, and climate action. Further, South Africa has its own National Framework for Sustainable Development which provides the basis for a long-term process of integrating sustainability as a key component of the development discourse and shows South Africa's commitment to the principles developed at international summits and conferences.

With 31 October being named "World Cities Day" by the United Nations, it is pertinent to consider what South Africa can do to improve efforts towards sustainable – and smart – cities. The country's real estate industry needs to improve its focus on the energy performance of their buildings through energy benchmarking of their properties, identifying best practices and developing strategies to increase efficiency of the built environment.

There are two separate but complementary approaches to reducing building energy consumption:

1. Implementing energy efficiency measures, and
2. Integrating renewable energy sources.

To achieve optimal results and optimise investment, building energy efficiency measures should be considered first. This is especially true for existing buildings, where investments are usually made progressively over time.

For new buildings, the net-zero energy consumption requirement is specified in the early stages of the project. With such a goal clearly in mind, a building can be designed from the beginning to be net zero, ensuring that the building can incorporate renewable energy sources and will support active energy management systems and effective building operation.

BOOSTING ENERGY EFFICIENCY

Energy efficiency measures also fall into two categories, passive and active. Passive energy efficiency measures simply avoid the unnecessary use of energy. One example of a passive energy efficient measure is switching from conventional light bulbs to energy-saving lighting such as halogen incandescent, compact fluorescents (CFL), and LED lightbulbs, which produce the same amount of light but use less energy.

Active energy efficiency is about taking the control of the energy use. This type of energy efficiency measure typically requires continuous monitoring - using power measurement devices and cloud-based or on-premises power monitoring software - and active management, including an action plan and following up on results.

INCORPORATING RENEWABLE ENERGY

To become neutral or positive with regard to energy, it is essential to integrate clean, local energy sources. Several renewable technologies that are commercially available today can completely cover the consumption needs of buildings.

Consisting primarily of photovoltaic and wind turbine systems, these renewable technologies are, however, variable, intermittent energy producers. To achieve the overall objective of mastering and optimising energy use while also becoming more independent of the electrical grid, these energy resources can be coupled with storage or other more stable electricity generation technologies, such as combined heat and power generation.

Another important element of designing, constructing and managing green buildings is using control and optimisation solutions that play an important role in improving the way energy is produced, consumed and stored.

A first layer of control, called the Energy Management System (EMS), is key. Usually cloud based, these systems are able to forecast and optimise energy usage, leveraging on-site distributed energy resources to reduce energy bills and better integrate renewables. In addition to an EMS, a Power Management System can be used to operate the system on-site.

The aforementioned solutions are part of a larger green building ecosystem that provides some of the most effective means to achieving a range of South Africa's development goals, such as addressing climate change, creating sustainable and thriving communities, and driving economic growth.

It is pertinent to consider what South Africa can do to improve efforts towards sustainable – and smart – cities

FROM PIPES TO MASKS

BT INDUSTRIAL GROUP'S COVID RESPONSE

What do HDPE pipes and single-use medical face masks have in common? Well, they are both made from polymers. This fact has enabled pipe manufacturer BT Industrial Group to join the fight against COVID-19 by establishing a new division, BT Medical Devices, which makes polymer-based medical fabrics and components. The division's first product is FFP2 masks for front-line workers.

Founder and Managing Director of BT Industrial Kgomotso Lekola says the company's aim has always been to make a meaningful difference to lives and the economy, first through the HDPE pipes – used in water infrastructure – and now through the medical masks. Both products are manufactured at BT Industrial's own facility in Germiston.

With the masks, Mr Lekola says the fabric has been independently tested and confirmed by Protechnik, a State-owned laboratory. The face masks feature a proprietary five-layer fabric design. "Benchmarked against top global competitors, the masks are comparable, if not better, in critical areas such as filtration efficiency and low breathing resistance, as well as being extremely cost effective," Mr Lekola says. "We know that we are up there with the best globally," he says.

Mr Lekola says BT Medical Devices deliberately decided to focus on the high end of the face-mask market, as opposed to the unregulated sector and cheap imports. "We operate exclusively in the clinical healthcare space where there is strict regulation. We only make medical-grade fabrics and face masks, which is where there is a current shortage. Our key differentiator is our fabric, which has unique intellectual property invested in it," he says.

The masks are made in a state-of-the-art ISO Class 7 cleanroom facility established at the group's premises. The machinery for the assembly line process was designed by BT Industrial and manufactured by a Chinese OEM.

The entire process to establish the cleanroom, from concept to commissioning, was completed in record time after the initial hard lockdown at the end of March. In addition, two fully equipped test laboratories, staffed by 11 engineers and technicians, keep a close eye on quality control in support of the group's ISO 9001 and ISO 4427 accreditations.

The operation itself has already attained ISO 9001:2015 quality management accreditation. "We run among the best laboratories in our space in South Africa based on the equipment, personnel and the training we put them through," Mr Lekola says.

According to Mr Lekola, the ISO Class 7 cleanroom will allow BT Medical Devices to enter other niche areas, with plans already in the pipeline to manufacture other medical products. “There will always be a need for face masks. But it is not really about the masks at the end of the day. It is about the platform we have put in place. That is why we place so much emphasis on our research and development capacity, as this is ultimately the space we want to be a major player in going into the future,” he says.

BT Industrial’s impressively quick leap into the medical devices space demonstrates the entrepreneurial spirit of Mr Lekola and his team, head of engineering Farai Chamisa and director of marketing and business development Kgomotso Maphai.

BT Industrial has already made inroads into the manufacturing sector, manufacturing HDPE pipes for water infrastructure. The group can process 1,500 metric tonnes of HDPE resin a month and to date has produced over 9,000km of pile, equating to about 70% of the earth’s diameter.

The demand for core water infrastructure due to the COVID-19 pandemic has meant that about 80% of the company’s orders for the first half of the year were destined for cross-border projects.

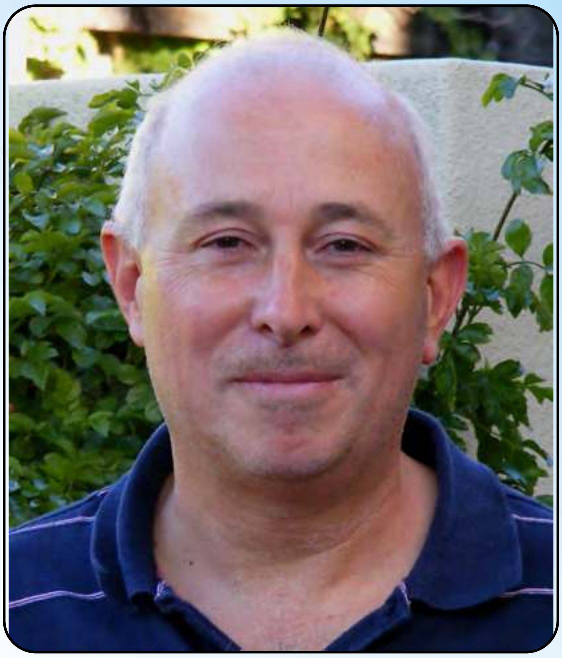
According to Mr Lekola, when they entered the market, there were no black manufacturers of the pipes in the industry giving them the opportunity drive transformation in the sector.

“We control the means of production, which means not only the value addition, but also the opportunities it creates for us. We employ over 100 people, with more than 20 people holding BSc degrees, many of whom are black women qualified in chemistry and engineering, who have never been afforded the opportunity to be employed in their areas of expertise,” Mr Lekola says

Mr Lekola added that the move from HDPE pipes to medical devices was part and parcel of the group’s diversification strategy. “We have repositioned and reimagined the business from what it was before,” he said. The three main pillars are solutions for heavy industry such as pipes, engineering services and scientific services for the medical industry. “These are held together by our science, engineering and R&D focus, because it allows us to maintain a certain core competency around the processing of materials,” he concludes.

THE GLOBAL BEST PRACTICES TO MIMIC TO ENSURE SOUTH AFRICAN INFRASTRUCTURE DRIVE DELIVERS RESULTS

Simon Norton - International Zinc Association, Africa Desk



Simon Norton

If South Africa is to have any hope of economic recovery, no sector of the economy can afford to do things the way it did before 2020.

That's as true for the civil engineering and construction industry as it is for any other sector. Not going "back to the way things were" doesn't just mean relooking at supply chains, staffing and winning new contracts. It means thinking with sustainability and longevity in mind, prioritising long-term gains over short-term profit and understanding that focusing on high standards and excellence in the present will reap large future dividends.

Easier said than done, which is why it is useful to look further afield to learn from our global neighbours on what works, how it works and how to change course if it doesn't work.

GLOBAL BEST PRACTICE: LONG-TERM THINKING

Much of our collective time, energy and resources is spent on "patching" our infrastructure, rather than addressing the root cause of the problem which would be mainly the use of cheap materials, substandard contractors and the government tender system.

Public infrastructure serves as a focused example of how long-term thinking could save money, create jobs and deliver a better outcome overall in South Africa. If we were to vigorously promote and require in government tenders that, where appropriate, all steel used for infrastructure projects be galvanised, then we're thinking long term. Galvanised steel structures can give a lifespan of over 50 years in the right environment and offer exceptional performance at the coast. Hot dip galvanising is only marginally more costly at the outset, but the savings in terms of long-term maintenance-free service are exceptional.

If we can get to a point where our public infrastructure lasts longer than at present and requires far less maintenance, the focus can shift to new build projects that will improve the general state of the economy and, by extension, the welfare of South Africans.

GLOBAL BEST PRACTICE: PRIORITISE LOCAL

Over 2-million jobs were lost in the second quarter of this year in South Africa and the economy, already struggling prior to the crisis, is now under severe strain. Critically, unemployment is expected to reach an all-time high of 40% in coming months as entire industries face collapse. The country needs a New Deal to get people back to work and to boost GDP rapidly. A local-first approach will be instrumental in achieving this together with a boosted manufacturing drive.

To stimulate a virtuous cycle of capital formation, market stimulation, and job creation, we could turn to our non-ferrous metal mineral wealth but not in its raw unprocessed form. We must increase its value by processing our non-ferrous metal ores into refined material and harvest the rare and highly valued metal by-products that go with it such as gold, silver and germanium.

The construction of a new South African zinc refinery, as just one example, will reduce dependence on SHG zinc imports; will give a much needed boost to the construction, steel and manufacturing industries by offering local supply; boost the secondary zinc industries such as recycling, fertiliser, die casting and tyre making; and create much-needed jobs in both the short and the long term.

Building such a facility will only make it easier to buy local and save on foreign exchange, it will also speed up time of delivery to galvanisers inside South Africa. Again, this benefits everyone. If South Africans buy local, manufacturers will have more capacity to hire skilled staff. And, where those skills don't exist, there will be a driver to offer training, resulting in more people in higher-paying jobs. This adds value across the chain and doesn't just include economic benefits, but will also go a long way to creating a more socially cohesive, united country.

GLOBAL BEST PRACTICE: CIRCULAR SOLUTIONS

The United Nations projects that the world population will grow to a staggering 8.5-billion people in the next decade. Supporting a global citizenry of this size will necessitate economic development and the expansion of the global economy at an unprecedented scale.

Meeting these needs will place enormous strain on our finite natural resources, which is why thinking in "circles" when it comes to the use of metals and minerals is crucial.

Optimisation in mining, production, product life cycles and recycling need to be a foremost priority. Currently, one of the biggest barriers to greater sustainability is the linear economic model of "take-make-dispose". It's key to rethink this model to keep waste out of the system.

One resource that adheres to the "virtuous circle" approach is the versatile and abundantly available zinc. An essential element for all living things and presenting useful metallurgical and chemical properties, zinc features in our daily lives with applications in everything from agriculture and building to wellness and hot-dip galvanising of iron and steel structures.

Zinc can be recycled without losing or compromising any of its metallurgical properties or overall value, meaning it can be used over and over again. Zinc is not only a sustainable option during use, but the recycling thereof also works to reduce concentrate demand, energy use, emissions and reducing waste disposal.

In line with global best practices, South Africa's infrastructure development efforts needs to take its cue from zinc to find more materials and resources with this "circular" ability.

GLOBAL BEST PRACTICE: SHIFT ROAD FREIGHT TO RAIL

Transnet's road-to-rail strategy has been on the public enterprise agenda for some 20 years now and has the potential to accelerate South Africa's economic recovery, which is why it's crucial that it should be implemented and acted upon now with no further delay. Furthermore, a project to widen the rail gauge on South African rail links would allow high speed intercity travel and fast goods movement.

The shifting of freight from road to rail has many benefits. Rail transport systems are six times more energy efficient than road, and four times more economical, which further drives the case for a safe, reliable cargo rail system as being fundamental to a country's economic growth. Shifting from road to rail will obviate the need to spend so much on roads and road repair.

Equally significant, particularly considering the global drive for a sustainable future, is that rail is amongst the most climate-smart transport options. The upgrade and expansion of our rail networks and infrastructure also has the potential to create employment opportunities on a large scale and is now more urgent than ever.

Best practices that offer both an environmental and economic benefit need to be top priority in a country like South Africa which needs to feed its people and offer them a good working life. It is hard to argue against solutions that can guarantee long-term savings because savings mean more available spend on other, much-needed infrastructure projects.

MEET SEIFSA'S NEW CHIEF ECONOMIST

Chifipa Mhango

SEIFSA extends a warm welcome to our newly appointed Chief Economist, Chifipa Mhango, who joined the Federation on 1 November. Mr Mhango brings with him a wealth of industry experience that will no doubt inject new and fresh thinking to SEIFSA's Economic and Commercial Division.

SEIFSA News stole a few minutes from his busy schedule to get acquainted with him and understand the role he intends to play in SEIFSA's efforts to represent the interests of Metals and Engineering (M&E) industry.

Q What inspired you to become an economist and tell us a bit about your career journey?

A I was inspired to be an economist by my Father, Dr Geoffrey Mhango, who holds a PhD in economics. He worked as the Chief Economist at the Development Bank of Southern Africa (DBSA) from the early 1980s to his retirement in 1998. I followed his work and that became my starting point. I read a lot of his publications and also followed the development work of the DBSA and other development finance institutions (DFIs) such as the Industrial Development Corporation (IDC).

After graduating with a Bachelor of Social Science Degree in economics, statistics and accounting from the University of Malawi in 1994 and a Master of Commerce Degree in economics and Econometrics from the University of Stellenbosch in 1996, I joined Syfrets, which later became Nedcor Investment Bank, as an investment analyst.

Six months later, I joined the IDC as a senior economist and later became the head of its strategic research and planning unit for nearly 10 years. I left the IDC to join PetroSA as chief economist and then joined Nedbank as its executive head of strategy, planning and business communication. I was also a partner and chief research director at Kwesthuba Consulting, before joining ArcelorMittal SA as Chief Economist.

I left ArcelorMittal in May 2018, after nearly eight years to join Don Consultancy Group as director of research and Strategy, where I consulted for a number of organisations within DFIs such as the DBSA and others on the continent. I am now back within the metals industry as chief economist at SEIFSA, thus a career of almost 24 years in total to date.

Q What influenced you to consider SEIFSA as an employer?

A I have a passion for development and industrial economics. The steel industry remains the backbone for development and that has always excited me. After working for ArcelorMittal South Africa, I was exposed to the business end of the primary steel industry and its challenges. Being at SEIFSA gives me that opportunity to add value in directing and lobbying on policy matters for the entire value chain of the steel industry. SEIFSA is well positioned for my aspirations, and its history of 78 years is an added advantage for me.

Q What value do you hope to bring to the Federation?

A I have been at the forefront when it comes to strategy development in organisations, policy development at DFIs, and interacting with Government policy makers. That experience feeds well into the work of SEIFSA.

As an economist, my ability to deal with the media on topical issues and my experience as a consultant are also an added value to the organisation. My managerial and leadership experience will also be of value within SEIFSA and in nurturing new talent.

Q&A

I am well-travelled internationally and on the African continent. Such exposure may also provide insights for SEIFSA members that want to expand their market footprint in Africa. Who knows? Maybe we could see SEIFSA well presented with offices in a number of African countries.

Q What are the trends in the M&E sector for 2021?

A The COVID-19 pandemic lockdown restrictions have disrupted the business environment. Within the M&E sector, we are still facing challenges of rising energy costs, unreliable energy supply, rising logistical costs, limited raw material supply due to export preferences, rising imports and insufficient demand. These challenges have led to reduced operations, with the industry operating at below capacity level. The lockdown from March has seen the industry operating at below 70% capacity utilisation, i.e., producing less than its potential, leading to a decline in production compared with 2019.

As the country moved from level five lockdown restrictions to level one, there have been some signs of improvement in the economy, with improved sales of building and construction material in which the metals industry is one of the suppliers, a pick in business confidence, an easing in the decline in manufacturing and mining industry, and a pick in construction activity. These signs, coupled with the willingness from the Government to provide stimulus packages – especially through infrastructure development – and addressing the challenges of the steel industry through the Steel Master Plan, provide a sigh of relief for the M&E sector.

As we move into 2021, we expect a much-improved business environment, and the recovery in demand patterns for the M&E sector, leading to improved production.

Q What, in your opinion, are the biggest risks facing the industry and how can SEIFSA continue to play a role in mitigating them?

A We need to deal with the challenges faced in the industry as outlined above, such as rising energy costs, unreliable energy supply, rising logistical costs, limited raw material supply due to export preferences, rising imports and insufficient demand. This requires continuous constructive engagement between SEIFSA, on behalf of the industry, and the Government. The input into the draft Steel Master Plan presents that opportunity. As SEIFSA, we have been proactive in this process.

Q Your role involves significant engagement with the Government on matters relating to the Metals and Engineering industry. What would be your top agenda topic?

A As an industry, what can make you uncompetitive is the production cost structure. I would, therefore, put the issues of energy costs and its unreliable supply at the top of the list.

ACCREDITED TEMPORARY EMPLOYMENT SERVICE PROVIDERS

Accredited Temporary Employment Service Providers as at 10 November 2020

- Adcorp BLU a div of Adcorp Workforce Solutions (Pty) Ltd
- Alos Business Solutions (Pty) Ltd
- ALOS Holdings (Pty) Ltd
- AMT Africa Recruitment
- AMT Placement Services
- Bathusi Staffing Services (Pty) Ltd
- CAP Personnel Placements (Pty) Ltd
- CSS Labour (Pty) Ltd
- Eduardo Construction (Pty) Ltd
- EFS Labour Consultants cc
- ESG Recruitment cc
- Fempower Personnel (Pty) Ltd
- Gee 2 Kay (Pty) Ltd
- Global Industrial Consultants 2 cc
- Global Isizwe Placements cc
- Impact Human Resources
- Inqaba Services (Pty) Ltd
- International Task Labour cc
- Ithemba Langemphela
- JLH Group (Pty) Ltd
- LAPACE KEN
- LAPACE LET
- Lavoro Matkri (Pty) Ltd
- Lekang Projects & Security Services cc
- Mabhele and Associates cc
- Madobra (Pty) Ltd
- MECS Growth (Pty) Ltd
- On Time Boiler And Engineering Support Services cc
- Phakisa Holdings (Pty) Ltd
- Phakisa MSP (PTY) Ltd
- Primeserv Denverdraft (Pty) Ltd
- Primeserv Staff Dynamix (Pty) Ltd
- Quyn International Outsourcing (Pty) Ltd
- Scribante Labour Consultants (Pty) Ltd
- Sindawonye Services
- Sizwe Placements (Pty) Ltd
- STAFFATACLICK (PTY) LTD
- Themba Njalo Camden
- Tributum Emawi (Pty) Ltd
- Vusithemba Mpumalanga
- Workforce Staffing (Pty) Ltd.

INTERNATIONAL WATCH

SWEDEN

LKAB joins steel industry shift toward hydrogen, DRI

Swedish state-owned miner LKAB plans to develop direct-reduction iron production to reduce emissions in the steel industry, highlighting massive capacity additions in renewable power and hydrogen needed to enable operations to reach zero emissions within 15 years.

LKAB plans to emit zero carbon dioxide from its iron ore and minerals mining and activities by 2045, and invest to secure the company's operations beyond 2060, the Lulea-based company said in a statement on November 23.

LKAB, the second-largest iron ore pellet producer globally, said it will invest SEK10-billion – 20-billion/year ($1.15-billion-$2.3-billion/year) over 15–20 years in digitalisation, automation, electrification, new operating methods and carbon dioxide-free production. LKAB emits 700,000 mt/year of carbon dioxide, or about 4% of Sweden's total industrial emissions, and is the fourth-largest emitter in Sweden.

"On top of that there will be investments in expansion of renewable energy and hydrogen in order to make the conversion possible," it said. "LKAB is facing the biggest transformation in the company's 130-year history, which could become the biggest industry investment ever in Sweden."

LKAB has begun using biofuel for firing some of its iron ore pellets, which are used in the HYBRIT green hydrogen-based DRI (direct reduced iron) pilot plant, in which LKAB is a shareholder with SSAB and power utility Vattenfall.

LKAB, like other steel industry companies such as Vale, ArcelorMittal and ThyssenKrupp, is investing in DRI projects to help global steel production transition away from the blast furnace route, which typically emits 2.2mt of carbon in total per ton of steel, according to the International Energy Agency.

DRI using natural gas and an electric arc furnace produces 1.4mt of total emissions per ton of steel, while DRI using an EAF running off renewable power and green hydrogen can produce steel with minimal associated emissions.

Source: Hector Forster, S&P Global

BRITAIN

British Steel creates 66 new jobs as production picks up

British Steel is recruiting 66 new employees to support increased production at its operations in Scunthorpe and Teesside. The company, which is maintaining production during the pandemic, is looking to recruit 41 people into manufacturing roles at its Special Profiles business in Skinningrove, and a further 25 into trainee positions at its headquarters in North Lincolnshire.

The jobs are in addition to the 40 the company created in May, which has enabled it to introduce an extra shift at its Teesside Beam Mill. This new development follows the acquisition of British Steel by Chinese steelmaker Jingye Group in March, a move that ensured the safeguarding of 3,200 high-skilled jobs in Scunthorpe, Skinningrove and Teesside.

Chief Executive Ron Deelen said: “Since the launch of our new business in March, Jingye Group has made significant investments in our business and our people and it continues to do so.

“The roles will enable us to support an increase in production and keep driving this business forward. They’re great opportunities for people to join us and play an important role in the ongoing transformation of British Steel.”

The company’s Skinningrove mill, which already employs around 300 people, manufactures a range of specialist products including track shoes and cutting edge profiles for use in the construction industry.

Source: https://www.business-live.co.uk/manufacturing

GLOBAL

Steel Global steel output ticks up as industry recovers

Global crude steel production in October rose 7% year on year to 162-million tonnes as other countries joined China in a recovery in industrial activity. China, the world’s biggest producer and consumer of the metal, remained the stand-out performer with a gain of 12.7% to 92.2-million tonnes, data from the World Steel Association showed on Tuesday.

The rise in global steel output was the third straight month of gains after five months of declines as the COVID-19 pandemic depressed industrial activity. “Global production ex-China is rebounding, but we will probably have to wait until next year to see output outside of China fully return to 2019 levels,” Samuel Burman, assistant commodities economist at Capital Economics, said in a note.

Most countries showed the impact of loosened coronavirus restrictions and rebounding industrial activity, with some moving into growth while others pared losses.

Production in India edged up 0.9% in October after falling 2.9% in September, helped by a mild monsoon season, Burman said.

Germany posted a 3.1% rise after falling 9.7% the previous month while output in the United States dropped 15.3% compared with an 18.5% slide in September.

“However, quarantine lockdown measures (in the United States) are likely to weigh on domestic consumption and production in the coming months,” Burman added.

The World Steel Association — a group of producers that accounts for about 85% of global steel output — last month said the decline in global steel demand this year will be less than previously expected at 2.4% after a buoyant recovery in China.

Source : https://www.brecorder.com/news

SEIFSA OPPOSES ESKOM'S THIRD MULTI-YEAR PRICE DETERMINATION (MYPD4) REGULATORY CLEARING ACCOUNT YEAR 2 (2014/15), YEAR 3 (2015/16) AND YEAR 4 (2016/17) APPLICATIONS

SEIFSA recently made a submission to the National Energy Regulator of South Africa (Nersa), opposing Eskom's third Multi-Year Price Determination (MYPD3) Regulatory Clearing Account (RCA) Year 2 (2014/15), Year 3 (2015/16) and Year 4 (2016/17) applications.

The submission is also in line with the Energy Regulator's mandate to regulate the electricity, piped-gas and petroleum pipelines industries in terms of the Electricity Regulation Act, 2006 (Act No. 4 of 2006), Gas Act, 2001 (Act No. 48 of 2001) and Petroleum Pipelines Act, 2003 (Act no. 60 of 2003).

The price of electricity has huge implications for the Metals and Engineering (M&E) cluster of industries and the broader economy at a time when the need for economic recovery in the midst of the COVID-19 storm is crucial. Nersa's review of Eskom's application during these difficult times, characterised by poor cashflow and increasing costs to local businesses, therefore, requires extreme diligence before a decision is made, given the extended implications for ongoing deindustrialisation and unemployment levels.

INTRODUCTION

The challenges of the M&E cluster of domestic industries since 2014 continue, also impacting negatively on levels of production, sales volume and sustainability, with extended implications on jobs. Despite the cluster of industries being able to weather economic difficulties, remain resilient and expand in 2017 and 2018, this was not the case in 2019, which proved to be a very year for businesses, with the sector contracting by 0.6%.

Although it was clear that 2020 would be a difficult year for indigenous businesses, with ongoing pressure on margins, the Coronavirus pandemic threw a spanner in the works of South African business activity at the end of the first quarter of 2020.

The COVID-19 outbreak across South Africa, the rest of Africa and the rest of the world slashed production and sales forecasts as well as the overall economic outlook. Shutdown measures implemented by the government starting from March hugely impacted manufacturing activity in both the broader M&E industries, including in steel-using industrial sectors. This is worrisome, especially given the ongoing challenges faced by the M&E sector due to subdued domestic demand, increasing levels of deindustrialisation and trade squabbles between the US and several of its main trading partners.

All indications are that the road to an economic reboot for the M&E industry post the COVID-19 economic crisis will take time, and extraordinary idiosyncratic and targeted policies will be needed to walk the tightrope towards recovery.

Other concerns regarding erratic power supply, rising administered prices, exchange rate volatility, generally low productivity levels, capacity under-utilisation, declining net operating surpluses and high import penetration still remain. All of these factors combined led to continued further deterioration in business sentiment and restricted investment growth throughout 2019, even before the onset of the Coronavirus pandemic.

SEIFSA's submission which expatiates on some of the existing challenges, and also expounds on relevant dynamics derived from erratic and costly electricity supply, spans four focal areas, namely:

- Structural dynamics of the M&E cluster of industries;
- Highlight of M&E energy intensive sub-sectors and interdependencies with other key domestic energy intensive sectors;
- Increasing energy costs as a serious impediment on productive efficiency, trading activity and sustainability of the M&E sub-sectors; and
- The impact of excessive price increases for electricity on costs, employment and sustainability.

This is a summary of SEIFSA's submission.

A. M&E energy intensive sub- sectors and interdependencies with other key domestic energy intensive sectors

The metals sub-industries (including the steel and steel-related sub-components) of the M&E sector, which generally contribute the most weight to the broader manufacturing sector, are the most energy intensive and consequently have a high dependence on domestic electricity supply. High energy intensity indicates a high price or cost of converting energy into GDP, and vice versa.

The price of converting energy into GDP in the M&E energy-intensive sub-sectors has steadily increased, acting as an indicator of lower economic productivity. This is despite recent attempts to reduce or subsidise energy costs in some of the energy-intensive sub-sectors through several interventions including those by Nersa, coupled with the introduction of short-term negotiated pricing agreements by the government.

Table 2a highlights electricity share of input costs (as a proxy for electricity intensity or units of energy per unit of GDP), intermediate inputs and electricity costs on turnover, for the various M&E sub-sectors during the applicable RCA period (2014-2016).

The total electricity costs relative to intermediate input costs, compared to turnover, shows which M&E sub-component's competitiveness might be put at risk as a result of high electricity prices. Although high energy cost is not the sole causal factor of a decrease in company and industrial sector competitiveness, it is an important contributory factor as it constricts production capacity.

Table 2a: Electricity share as percentage of intermediary input costs and turnover for the M&E sector (2014-2016 data)

2014-2016						
		M&E Electricity Share (cost)		Intermediate Inputs	Total Turnover	Electricity cost on turnover (2014-2016)
Sub Sectors	M&E Weights	Total (all M&E industry)2014-2016		Total (all industrial sectors)2014-2016		Turnover rate
	%	R Million(Current Prices)	%	R Million(Current Prices)	R million	%
	1	2	3	4	5	6
Rubber Products	4.3	786.8	2.50	31,421.99	58,166.00	1.4
Plastic Products	9.2	973.3	2.04	47,759,01	146,968.00	0.7
Basic Iron and Steel; Casting of Metals	12.3	21,165.4	5.99	353,291.32	259,441.00	8.2
Basic Precious And Non-Ferrous Metals	8.9	8.445.2	9.05	93,273.82	263,666.00	3.2
Fabricated Metal Products (Incl. Structural and other Fabr.)	20.0	2,342.8	1.46	160,680.00	337,047.00	0.7
Machinery And Equipment (inclu. Gen, Special & HH Appliances)	23.4	1,488.4	1.17	126,696.00	421,774.00	0.4
Electrical Machinery And Apparatus	5.7	934.0	1.09	85,662.28	186,560.00	0.5
Motor Vehicles, Trailers, Parts (inclu. Building And Repairing Of Ships, Boats, Railway, Locomotives, Aircraft And Spacecraft)	12.1	2,447.4	0.73	333,793.75	1,147,367.00	0.2
Transport Equipment	4.2	446.0	1.97	22,645.99	5,785.00	7.7
Total	**100**	**39,029**	**3.11**	**1,255,22**	**2,826,774**	**1.4**

Source: SEIFSA, Oct 2020; Stats SA, Oct 2020

It can be derived from table 2a above that electricity constitutes just over 3% of inputs of the M&E sector for the applicable RCA period (2014-2016), and energy consumption from companies which are struggling to remain competitive has been declining over time. The intensity of electricity consumption generally varies among the different industries in the M&E cluster and does not collectively constitute a large percentage of input costs. However, the cost curves of some notable energy-intensive users of the M&E cluster are worrying.

As captured on columns 3 of Table 2 above, the varying percentages of electricity cost-to-input recorded in the basic non-ferrous metals (9.05%), basic iron and steel; casting of metals (5.99%), rubber (2.50%) and plastic (2.04%) are cause for concern, especially given that companies still have to incur costs, despite insufficient sales and demand.

Additionally, the varying percentages of electricity cost-to-turnover recorded on column 6 of table 2a above in the basic iron and steel; casting of metals (8.20%), other transport equipment (7.70%), basic non-ferrous metals (3.20%) and rubber products (1.40%) sub-components are worrying, given the extended implications on sustainability and jobs.

The effect on each individual sub-sector after adjusting for the sizes is also massive, highlighting the importance of keeping electricity price increases under control since their negative effect on turnover can lead to closure of businesses and job losses in the short to medium term.

Interestingly, of the total M&E sector's electricity cost of roughly R39-billion recorded in the period 2014-2016, the cost of the steel and steel related products was roughly R31.9-billion, accounting for about 12% of the metals sub-components' turnover. The increasing cost-to-turnover ratio will have devastating effects on the long-term potential of businesses. This is alarming, especially given that the aforementioned sub-components which are labour intensive, also shed the greatest number of jobs from the M&E sector in the second quarter of 2020.

For some casting and basic metals companies (such as smelters, foundries), electricity costs can be a significant portion of their input costs, thereby inhibiting further growth and sustainability. This shows how serious an impediment electricity cost can be. Therefore, it is important that electricity price

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increases are contained in order to reduce overall production costs, which may ultimately lead to more job losses and the closure of strategic industries (including those of the steel industry).

The electricity prices of individual companies can differ significantly, depending on company-specific consumption structures and procurement strategies for electricity. Additionally, some companies have developed energy-saving systems to help regulate electricity usage due to increasing energy costs and erratic supply. However, the process is more expensive for small businesses. The situation can increase production costs in some sectors and further dampen productivity and competitiveness. In fact, high energy costs have often been cited as a crucial variable in the basket of causal factors towards high costs of production in both the basic iron and steel products, basic non-ferrous metals products and other fabricated metal products sub-industries.

Table 2b below shows a continuation of the persistent adverse effects of electricity costs on the industry, specifically for 2019, with electricity consumption constricting as demand elasticity changes.

Table 2b: Electricity share as percentage of intermediary input costs and turnover for the M&E sector (2019 data)

2014-2016						
		M&E Electricity Share (cost)		Intermediate Inputs	Total Turnover	Electricity cost on turnover (2014-2016)
Sub Sectors	M&E Weights	Total (all M&E industry)2014-2016		Total (all industrial sectors)2014-2016		Turnover rate
	%	R Million(Current Prices)	%	R Million(Current Prices)	R million	%
	1	2	3	4	5	6
Rubber Products	4.3	786.8	2.50	31,421.99	58,166.00	1.4
Plastic Products	9.2	973.3	2.04	47,759,01	146,968.00	0.7
Basic Iron and Steel; Casting of Metals	12.3	21,165.4	5.99	353,291.32	259,441.00	8.2
Basic Precious And Non-Ferrous Metals	8.9	8.445.2	9.05	93,273.82	263,666.00	3.2
Fabricated Metal Products (Incl. Structural and other Fabr.)	20.0	2,342.8	1.46	160,680.00	337,047.00	0.7
Machinery And Equipment (inclu. Gen, Special & HH Appliances)	23.4	1,488.4	1.17	126,696.00	421,774.00	0.4
Electrical Machinery And Apparatus	5.7	934.0	1.09	85,662.28	186,560.00	0.5
Motor Vehicles, Trailers, Parts (inclu. Building And Repairing Of Ships, Boats, Railway, Locomotives, Aircraft And Spacecraft)	12.1	2,447.4	0.73	333,793.75	1,147,367.00	0.2
Transport Equipment	4.2	446.0	1.97	22,645.99	5,785.00	7.7
Total	**100**	**39,029**	**3.11**	**1,255,22**	**2,826,774**	**1.4**

Source: SEIFSA, Oct 2020; Stats SA, Oct 2020

The same principle applied in interpreting table 2a is applicable for table 2b, with the basic precious and non-ferrous metals sub-sector recording the largest share of electricity cost (6.67%), while the basic iron and steel; casting of metals sub-component recorded the highest electricity cost on turnover (6.1%).

Business activity is constrained by stagnant domestic demand for the intermediate products of the energy-intensive sub-components and also by the volatile levels of exports to regional or international markets. Persistent electricity costs have dampened electricity consumption by the M&E sector in 2019 relative to 2018. This is despite the existence of sub-sector differentials in the electricity pricing, as some companies procure electricity from the municipalities while some get their supply directly from Eskom.

B. Cross-sectional dependence

In terms of the electricity share of closely interdependent sectors, the mining and quarrying, basic iron and steel, transport and storage (including transport equipment), basic non-ferrous metals, other fabricated metals products, construction and machinery and equipment sub-components, are those with the most significant cost impacts.

Although there may be some variation in relation to the degree of electricity intensity of each sub-sector within some of the broad sector categories, the identified sectors will generally experience the most direct impact on their cost bases from the tariff increases that will result from the MYPD3 determination. The electricity share of input (power consumption) of the seven highlighted industries accounted for about 65% of electricity consumption in the total sampled industries during the period under observation.

CONCLUSION

The objective of a multi-year application is to provide price certainty to customers and investors, enabling them to plan ahead. Alternatively, the RCA is a correction mechanism of the MYPD, where excess or inadequate returns are managed. The RCA consists of the variance between the actuals for the full financial year and what was allowed in the MYPD decision of the energy regulator. By design, the RCA is backward-looking and deals with actuals and facts.

However, repeated costly RCA applications in a stagnant economy and contracting industry amid the pandemic will undermine their purpose and compound business and investment uncertainty. Investment certainty is important for the M&E cluster of industries, whose expansion depends on attracting greenfield investment.

Moreover, Eskom's financial sustainability is inextricably linked to the financial sustainability of its customers, who need an affordable tariff to maintain their sustainability. There is no doubt that the proposed increase in tariffs will have a negative impact on the individual companies in the M&E cluster, the broader manufacturing sector and the economy in general.

Electricity is an essential input for the M&E sector. If the tariff applications regarding Eskom's third MYPD3 RCA Year 2 (2014/15), Year 3 (2015/16) and Year 4 (2016/17) applications go through, it will be a critical setback for the sector's efficiency and competitiveness. The process will also act as a constraint to the possibility of the sector maximising its long-run production function.

SEIFSA vehemently affirms its opposition to the current RCA application and future RCA submissions that would result in electricity price increases unreasonably beyond those already granted for the MYPD3 period. Additional price increases will render significant damage and possibly permanent closure of many companies in the energy-intensive sub-components of the M&E sector.

SEIFSA has outlined in previous pricing applications and public hearings the risk of ever-increasing price increases to the M&E sector and the broader economy. SEIFSA maintains that this menace is real and growing, with the possibility of also compounding the number of job losses from the sector, which was over 60,000 – and counting – from the fourth quarter of 2007. SEIFSA understands the constraints faced by Eskom but posits that if the power utility wants to stay afloat to the detriment of other industrial sectors, there will be no industrial production and demand base for Eskom to service in subsequent years.

SEIFSA continues to implore Nersa, relevant stakeholders and policy makers to put the interest of the country first, consider the ballooning unemployment numbers – with additional socio-economic consequences – and decisively pass a moratorium on Eskom's RCA applications, as this will provide some lee-way to struggling businesses, enabling them to improve on output, export competitiveness and employment numbers.

SAA BUSINESS RESCUE PRACTITIONERS' FAILURE STARTED WITH CORPORATE GOVERNANCE MISSTEP

by Louwresse Specht

Justice Moroa Tsoka once said: "Business rescue proceedings are not for the terminally ill … nor are they for the chronically ill. They are not for the critically ill." In the case of SAA, the state-owned airline's heart stopped beating years ago and has since been defibrillated by the taxpayer.

SAA was never a good candidate for business rescue. This is evidenced by the fact that it cannot trade itself to liquidity without relying on post-commencement financing (PCF) of R10.5-billion – at the taxpayers' expense, no less. The latest PCF is in addition to the R3.5-billion that SAA received from the Development Bank of Southern Africa and other cash injections before it. What makes the Government's cash injection all the more outrageous is that it comes at a time when the administration should be more focused on saving the economy.

While much of the uproar has been over the billions that have been spent to rescue SAA, the role of the business rescue practitioners (BRPs) in the debacle is often overlooked. There is a perception that business rescue processes are often initiated merely to stave off creditors; the SAA case substantiates this perception.

It is not easy to apportion blame. The SAA Board circumvented the courts by placing the airline in business rescue by resolution, effectively side-stepping any judge who would have followed Tsoka's dictum and ordered the entity to be liquidated. However, the appointed BRPs, Siviwe Dongwana and Les Matuson, failed in their duty at the first meeting of creditors by not advising the creditors and other stakeholders that SAA was not capable of being saved. In both instances, there was a gross neglect of the duty of good faith that the Board and the practitioners, in terms of the Companies Act, are subject to.

While the SAA Board had already lost credibility due to its widely-publicised lack of governance, the actions of the BRPs are concerning as they appear to have been milking the proverbial dead cow for its very last cent. As at June 2020, the BRPs cashed in close to R40-million for their so-called efforts to save the entity. One can only wonder, considering that months have gone by since June and the ensuing months until they hand the entity back to its Board, how big their payday will be now that Finance Minister Tito Mboweni announced the provision that would be made to "create a new SAA".

In addition, Dongwana and Matuson showed a dereliction of duty by failing to take action against those responsible for the state of SAA – a duty placed on them by the Companies Act. They have all the reason and evidence to do so against Dudu Myeni, wo has been declared a delinquent director by the High Court. Instead, they squandered R170-million of the PCF on consultants, even as it was obvious that SAA could not be saved.

their first dereliction of duty. SAA should have immediately been placed under liquidation – a prerogative that was well within their rights in terms of the Companies Act. Instead, they opted to entertain the Government's vanity project. Once SAA was placed in business rescue, the Government could not legitimately dictate to the BRPs whether the entity may be liquidated – yet, on the Government's instruction, the BRPs failed to apply for the liquidation of SAA. These actions of the BRPs are a further dereliction of their duties as the Companies Act requires a BRP to be independent. Had the BRPs applied to court for SAA's liquidation, the Government would have been within its right to oppose the application.

While the BRPs were not responsible for the mess SAA found itself in, they became the custodians of governance as soon as they accepted their appointment as BRPs. They not only had a duty to uphold governance in terms of the Companies Act, they also had a duty to uphold it towards the citizens and taxpayers of South Africa. Had they acted in good faith, the

While much of the uproar has been over the billions that have been spent to rescue SAA, the role of the business rescue practitioners (BRPs) in the debacle is often overlooked. There is a perception that business rescue processes are often initiated merely to stave off creditors; the SAA case substantiates this perception

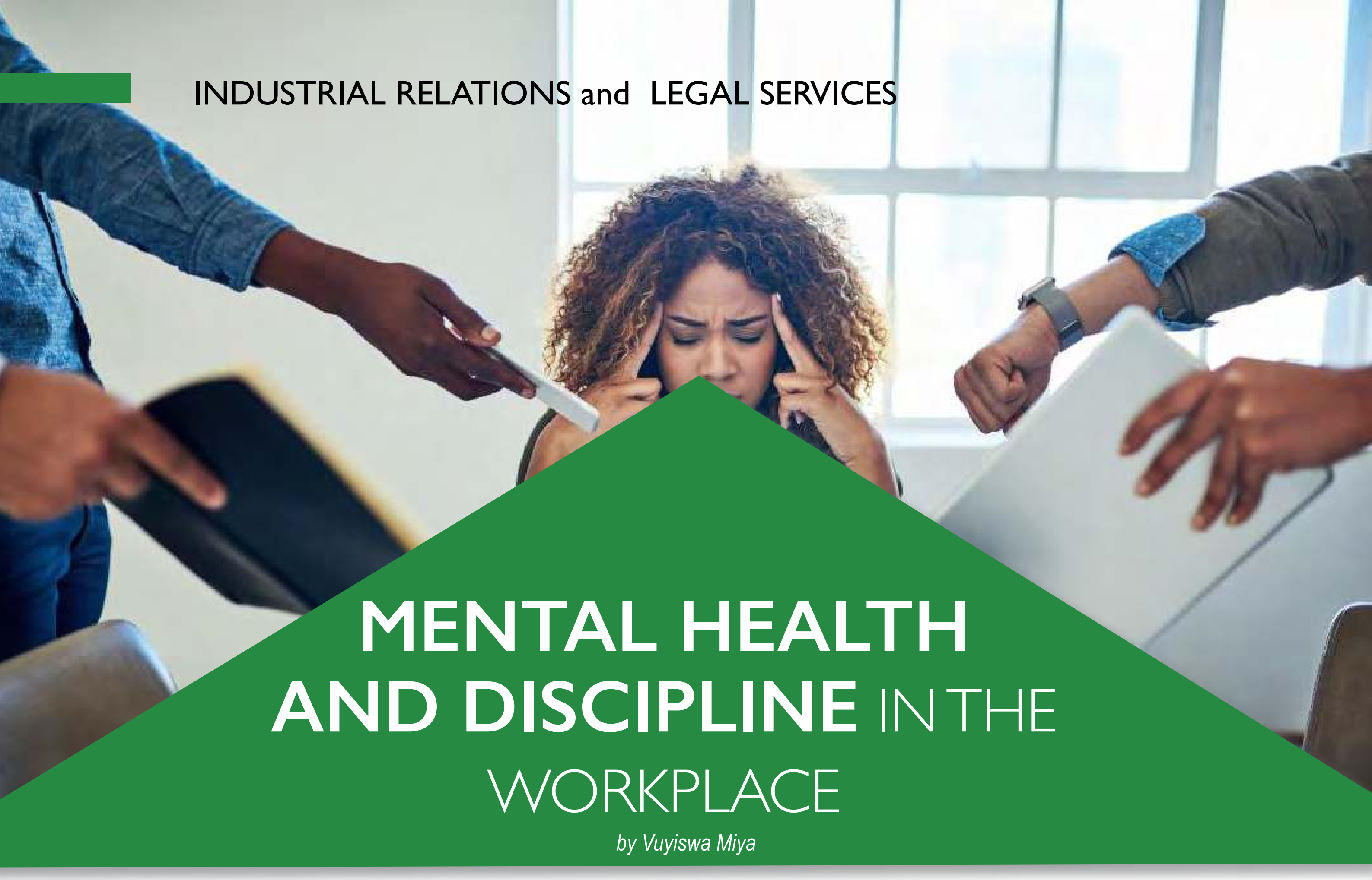
Governance is not an event. It is an ongoing process that does not stop when an entity is placed in business rescue. BRPs are subject to the same standards as Directors under the Companies Act – the same business judgment rule that applies to Directors also applies to them. That there was already an absolute breakdown in governance before SAA entered into business rescue does not absolve the BRPs from ensuring good governance.

The question is: what should Dongwana and Matuson have done to discharge their duty in good faith? Firstly, they should not have tried to retrench the staff of SAA without including this process into the business rescue plan. This led to a drawn-out court process that they eventually lost, again costing the airline dearly in legal fees. Secondly, SAA's financial position and dismal state was common knowledge. The BRPs' insistence, without any credible evidence, that SAA could be saved was

funds wasted on trying to salvage SAA would have been put to better use, such as funding police efforts to combat gender-based violence, or providing more support to SMMEs amid the COVID-19 onslaught.

By re-allocating funds from causes like basic and higher education, health (during a pandemic, no less), the SAPS, transport and human settlements, the message that the Government conveyed, whether wittingly or unwittingly, was that its vanity project is more important than the citizens of this country – and the BRPs seem to sing to this tune.

This opinion piece was originally published in Business Day on 20 November 2020.



MENTAL HEALTH AND DISCIPLINE IN THE WORKPLACE

by Vuyiswa Miya

October was Mental Health Awareness Month in South Africa, with campaigns aimed at educating people about mental health and de-stigmatising mental health.

South Africa marked the month amid the COVID-pandemic, which has taken its toll on people the world over, with national lockdowns put in place to curb the spread of the virus aggravating the situation.

Many employees have had to cope with working from home while at the same time home-schooling their children. The effect of these lockdown measures has resulted in many businesses closing their doors and people losing their jobs. There can be no doubt that times like these bring mental health into sharp focus, with people more susceptible to suffering from anxiety, depression and other mental health conditions.

In the workplace, these conditions can affect productivity and, at times, influence an employee's conduct. When enforcing discipline in the workplace, many employers will have to assess whether an employee's conduct was due to a mental illness or whether it was due to fault.

This question had to be answered by the Labour Appeal Court (LAC) in Legal Aid South Africa v Jansen (CA3/2019) [2020] ZALAC 37.

In this matter, Mr Jansen had been employed by Legal Aid South Africa as a paralegal for many years. During the course of his employment, he suffered from depression and was prescribed antidepressants. His depression was exacerbated by the ending of his marriage and allegations of domestic violence. Added to that, his wife was represented by one of Mr Jansen's colleagues in the domestic violence case. At the workplace, the employee would be absent without authority and at times ignored valid instructions issued to him. In attempting to deal with his depression, the employee submitted himself to the employer's wellness programme and attended a number of counselling sessions.

This culminated in the employer instituting disciplinary proceedings against the employee and charging him with absence from work, transgressing the employer's policies by failing to inform his employer of his absence from work, insolence and refusal to obey a lawful instruction. During the disciplinary hearing, the employee maintained that he suffered from depression and this had led him to act out of character. The employee was found guilty of the charges and dismissed.

At the Labour Court, the employee claimed that his dismissal was automatically unfair on the basis of his disability. The employer, on the other hand, opposed the claim on the basis that his dismissal was due to his misconduct. During the hearing, the employee and his clinical psychologist adduced evidence confirming that he suffered from depression. Based on the evidence procured, the court ruled that his dismissal was automatically unfair under the Labour Relations Act and that the employee had been unfairly discriminated.

Dissatisfied with the ruling, the employer appealed the judgment. The Labour Appeal Court had to determine whether the employee had been subjected to differential treatment on the prohibited grounds of depression, and if that was proven, the employer then had to justify the differential treatment. The court had to determine whether the proximate or dominate reason for disciplining the employee was due to his depression or his misconduct.

The court explained that depression may be seen as a form of mental ill health and may be a legitimate reason to terminate employment by following due process. On the other, depression may affect an employee's conduct if due to the depression he is unable to appreciate the wrongfulness of his conduct. Where the evidence supports such a conclusion, then dismissal in such circumstances may not be appropriate, the matter should rather be approached from an incapacity or operational requirement perspective.

However, where evidence shows that the employee could appreciate the wrongfulness of his actions, then his culpability or blameworthiness may be diminished by reason of the depression.

In this instance, the employee was confirmed to have been depressed, however, he failed to provide evidence that his acts of misconduct were caused by his depression or that he was dismissed because of his depression. In evaluating the charges, and the employee's defence, the court could not accept that the employee's depression had been so debilitating that he could not contact his employer to report his absence from work. The court confirmed that the reasons for the employee's dismissal was due to his instances of misconduct and not his depression. The employee had failed to prove that he was treated differently by the employer or that in fact, he was treated differently due to his depression. In such a case, the employee's dismissal was not automatically unfair.

The lesson for employers in this case is to tread lightly where an employee is obviously suffering from mental ill health and it is affecting their conduct at work. When assessing an employee's conduct, employers should differentiate between misconduct which requires a degree of fault on the part of an employee, while incapacity is where the employee is unable to do the job for which they are employed.

ARE YOU READY TO COMPLY WITH THE POPI ACT?

The deadline to fully comply with the Protection of Personal Information (POPI) Act is fast approaching and businesses need to ensure they are ready for one of the most disruptive compliance changes in South Africa's business history.

The POPI Act will change the way businesses deal with information in an information-driven society and will challenge them in ways never before imagined.

The Act became law in November 2013 and the remaining provisions of the POPI Act, which relates to the processing of personal information, will become effective on 31 June 2021.

Individuals, legal entities, and private bodies will have a grace period of 12 months before it is enforced. This will give them time to prepare and to ensure that their information capture, storage, and usage systems are aligned with the requirements of the Act.

The core purpose of the POPI Act is to ensure that individuals and juristic persons know exactly what is being done with their personal information. The rights flow from the universal right to privacy, which is also enshrined in our Constitution. The POPI Act creates a framework of principles, duties, rights, rules, and enforcement mechanisms. In simple terms, it is a lengthy code of conduct that covers – in great detail – all aspects of information management. It is designed to deal with the following key questions relating to the protection of personal information:

- What is done with your information?
- How is your information processed or shared?
- Who receives your information or with whom is it shared?
- What type of information is processed or shared?
- Why is your information processed or shared?

PERSONAL INFORMATION

"Personal information" includes information about clients or suppliers – such as their contact details and correspondence. Other examples include HR and payroll data, CVs, applications for employment, CCTV records, performance reviews, demographic information including gender, personal history, telephone numbers, physical address, financial information, and communication history, such as internal e-mails.

Special Personal Information

The POPI Act enforces the regulation of the processing of special personal information and prohibits the unlawful access and use of this information. This covers information that can be used to identify a natural person, including religious or philosophical beliefs, race or ethnic origin, trade union membership, political persuasion, health, medical history or sex life, criminal behaviour, and biometric information.

PROCESSING PERSONAL INFORMATION

"Processing" personal information includes collecting, collating, storage, modification, merging, updating, dissemination, and usage of data and information. The means of doing so include access to unsolicited electronic communication, which includes any text, voice, sound or image message sent over an electronic communications network as well as private correspondence.

Compliance will have an impact on the processes, technology, and manner in which employees handle and process personal information.

EIGHT CONDITIONS FOR LAWFUL PROCESSING OF PERSONAL DATA

The Act prescribes the following eight conditions which responsible parties, including individuals and entities, must comply with before any personal information that they process will be lawful:

- Accountability — The responsible party must ensure that the conditions and measures set out in the Act are complied with at the time of the determining the purpose and means of the processing.
- Processing limitation — Personal information may only be processed in a fair and lawful manner and only with the consent of the subject.
- Purpose specification — Personal information may only be processed for specific, explicitly defined and legitimate reasons.
- Further processing limitation — Personal information may not be processed for a secondary purpose unless that processing is compatible with the original purpose.
- Information quality — The responsible party must take reasonable steps to ensure that the personal information collected is complete and accurate.
- Openness — The data subject whose information you are collecting must be aware that you are collecting such personal information and for what purpose the information will be used.
- Security safeguards — Personal information must be kept secure against the risk of loss, unlawful access, interference, modification, unauthorised destruction and disclosure.
- Data subject participation — Data subjects may request whether their personal information is held, as well as the correction and/or deletion of any personal information held about them.

DIRECT MARKETING

Special provisions have been introduced to regulate direct marketing practices. The primary issue is to ensure that the data subject gives fully informed consent to the direct marketing operator before their personal information may be used to market or promote goods and services or to solicit donations of any kind. The operator needs to secure the data subject's consent only once. However, it will need to update the consent if it intends to use the information for some other reason or in a different form to which the data subject did not agree originally.

Contact SEIFSA to make your compliance with the POPI Act challenge easier to handle.

DECEMBER 2020 ANNUAL SHUTDOWN LEAVE PAY AND LEAVE ENHANCEMENT PAY (BONUS) CALCULATIONS

The December shutdown is upon us and some employers might have some questions around the main provisions regarding the annual shutdown and the calculation of leave pay and leave enhancement pay (leave bonus). Our Industrial Relations Manager, **Michael Lavender**, unpacks the provisions

The dates of the annual shutdown are determined by the employer, however, the shutdown must take place as close as possible to the previous year's shutdown, as stipulated in clause 16 of the Main Agreement.

Companies usually close on the last working day before 16 December, the Day of Reconciliation, which falls on a Wednesday this year. However, the final decision is up to the company, and factors such as workload might be a consideration. It won't be unusual, therefore, to see some companies closing on either 11 or 18 December 2020.

The annual shutdown must allow employees to take three consecutive weeks' paid leave which must be taken over an unbroken period and must include four weekends. In addition, the three weeks' leave must be extended with full pay for each public holiday that falls during the shutdown period and that would otherwise have been an ordinary working day. This year, depending on the start of your company's annual shutdown, the following public holidays will most likely fall into this category:

- Wednesday, 16 December 2020 – Day of Reconciliation
- Friday, 25 December 2020 – Christmas Day
- Friday, 1 January 2021 – New Year's Day

The shutdown of companies that work a five-day week from Monday to Friday will not be affected by the Day of GoodWill (Saturday, 26 December 2020), which is not a working day.

The Main Agreement says that all employees are entitled to their full leave pay and leave enhancement pay (the bonus) on completion of 234 shifts worked on a five-day week basis or 283 shifts on a six-day week basis, excluding overtime. If a company's financial situation is such that it cannot afford the annual leave enhancement pay, it can apply for an exemption to not pay the leave enhancement pay. The exemption deadline is 31 October each year, however, if there is a good reason, a company can apply for a late condonation of its exemption application.

WHAT QUALIFIES AS A SHIFT?

Section 12 of the Main Agreement states that the qualification for paid leave shall be 234 shifts actually worked on a five-day week basis or, 283 shifts actually worked on a six-day week basis as these are the maximum number of shifts that an employee can work in a year to qualify for leave.

The shift system is a way of encouraging employees to strive for full attendance at work and to produce a valid sick note if they fall ill and cannot work. Employees who do this are rewarded with full leave pay and enhancement pay.

It is important to note, however, that an employee who works all available shifts during the year is entitled to full leave pay and enhancement pay even where the shifts amount to fewer than 234 shifts (five-day week) or 283 shifts (six-day week). This provision accommodates a situation where the dates of the annual shutdown change from year to year. New employees and others who have not worked all available shifts during the year are entitled to pro-rata leave pay and pro-rata leave enhancement pay.

HOW DOES THE NATIONAL LOCKDOWN AFFECT SHIFTS?

SEIFSA and the Metal and Engineering Industries Bargaining Council (MEIBC) have recommended that companies still calculate and add shifts over the national lockdown period for the purposes of leave and leave enhancement pay and regard it as a lay-off as defined in Annexure A of the Main Agreement. If one then considers section 12, its states that a maximum of eight weeks of lay-off can be counted as shifts. However, it is important to note that a lay-off, as defined in Annexure A of the

LEAVE QUALIFYING SHIFTS (TABLE 1)

LEAVE QUALIFYING SHIFTS	Five-day week worker	Six-day week worker
Minimum number of shifts to be worked	* 234 shifts	283 shifts
Minimum number of shifts to be worked before pro rata leave pay and leave enhancement pay is paid upon: • Termination • Resignation	 10 shifts 20 shifts	 13 shifts 25 shifts
Marine work and turnaround work upon: • Termination • Resignation	 no minimum 20 shifts	 no minimum 25 shifts
Periods of absence because of sickness counting towards leave qualification purposes (provided employee produces a medical certificate for each absence)	43 shifts	52 shifts
Short Time (Clause7)	Short shifts worked whilst working short time shall count as shift actually worked. Employees working 24 hours or more, spread over three or four days, and employees on a three-shift system working three or four shifts per week shall - Be credited with the full shifts for an ordinary week for purposes of the paid leave referred to in this clause, for up to three (3) moths in any calendar year; and - Thereafter, be credited with one additional shift per week and above those shift actually worked for purposes of the paid leave referred to in this clause.	
Periods of absence falling within the scope of the COID Act	Full number of shifts during absence	
Absences whilst on the additional week's paid leave or accumulated additional leave	Periods of absence whilst on this additional paid leave count as shifts worked	
First 8 weeks of lay-off	Full shifts	
Absences while on protected strike (section 64 of LRA)	Full number of shifts while on protected strike	
Shop stewards training leave	Periods of absence whilst on shop steward training count as shifts worked	
Shop stewards elected as Trustees and/or representatives of MIBFA, MEIBC and/or merSETA	Periods of absence whilst attending a MIBFA/MEIBC and/or merSETA meeting count as shifts worked.	
Absence whilst on family responsibility Leave (clause 42 of the Main Agreement)	Shifts do not count	
*** 365 calendar days - 52 Saturdays - 52 Sundays - 12 public holidays - 15 days' leave = 234**		

Main Agreement, is not the same as the lockdown. The final decision on whether to credit shifts for eight weeks of lockdown therefore remains with management.

DOES SHORT-TIME EFFECT THE SHIFT ACCUMULATION?

Many companies have had to implement short-time due to the tough economic environment. The calculation of shifts will be affected by short-time. Due to the difficult economic times that companies find themselves, many have had to implement short-time. What does the Main Agreement say on this matter?

Firstly, short shifts (i.e. shifts where the hours have been reduced) are considered as shifts actually worked.

Secondly, employees working 24 hours or more spread over three or four days, and employees on a three-shift system working three or four shifts per week:

- must be credited with the full shifts for an ordinary week for purposes of paid leave for up to three months in any calendar year; and
- thereafter, must be credited with one additional shift per week over and above shifts actually worked for purposes of paid leave.

EMPLOYEES WHO WORK FEWER THAN 24 HOURS IN A WEEK

If a company operates fewer than 24 hours in a week, however number of days the employees come to work, whether it be one, two or three days or more, that is the number of shifts they should be credited with.

WHEN DOES AN EMPLOYEE QUALIFY FOR THE ADDITIONAL PAID LEAVE?

An employee qualifies for an additional week's paid leave after qualifying for his fourth and subsequent annual leave. By mutual arrangement between the employer and employee, the annual shutdown may be extended by an extra week or the employee may be paid out the monetary value of this extra week's leave. Alternatively, and again by mutual agreement, the extra week's leave may be accumulated until the employee qualifies for additional three weeks' paid leave. The fourth week's leave may also be taking as ad hoc leave the following year, but at the convenience of the employer.

In cases where employees doing essential work continue working during the shutdown, the relevant MEIBC regional office must be informed of the names of these employees at least a month in advance. These employees must be given their paid leave within four months of the date of the shutdown.

LEAVE PAY

Each employee is entitled to leave pay calculated as per the table below:

$$\text{normal weekly wage rate (excluding allowances)} \times \text{3 weeks (4 weeks where employee is entitled to additional leave)} \times \frac{\text{number of shifts worked}}{\text{234 shifts (five-day week worker)}}$$

LEAVE ENHANCEMENT PAY:

Each employee is entitled to leave enhancement pay calculated on the basis of 8,33% of actual earnings, excluding allowances (calculated on a 40-hour work week or upon actual normal hours worked) on the date the employee actually goes on leave, and in the case of termination, at the actual rate at the date of termination. Table three below illustrates the formula:

$$\text{normal weekly wage rate (excluding allowances)} \times \text{52 weeks} \times \text{8.33\%} \times \frac{\text{number of shifts worked}}{\text{234 shifts (five-day week worker)}}$$

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Dear Stakeholders

Our office will close on Friday, 18 December at 12pm and reopen at 8am on Wednesday, 6 January 2021.

Companies requiring urgent assistance during this period are requested to visit www.seifsa.co.za for the contact details of the SEIFSA Team.

SEIFSA wishes you a safe and peaceful holiday season and prosperous 2021.