SEIFSA NEWS

SEPTEMBER / OCTOBER 2020

LUCIO TRENTINI
THREE DECADES OF WALKING THE SEIFSA TALK

INSIDE:

PROTECTIONISM IS NOT A PANACEA FOR FOREIGN COMPETITION AS IT MAY COME WITH UNINTENDED CONSEQUENCES

SMALL BUSINESS GUIDE TO SUCCESS

SEIFSA

Steel and Engineering Industries Federation of Southern Africa

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September / October 2020

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COMMON SENSE, IT SEEMS, IS ANYTHING BUT COMMON

At a time when our economy – which was struggling at the best of times – has been ravaged by the Coronavirus pandemic, when Zimbabwe is fast becoming a Venezuela and poverty among the historically disadvantaged is reaching frightening proportions, one would have thought that the obvious priorities for our political mandarins would have been to nurse our economy back to health and to bridge the growing chasm between the wealthy and the poor. One would have expected that President Emmerson Mnangagwa's government in Zimbabwe would have had a single-minded determination to rehabilitate that country among civilised nations and to turn its economy around with the help of much-needed foreign investment.

Alas, common sense, it turns out, is very much in short supply.

Here at home, we have President Cyril Ramaphosa, who would win hands down if any prizes were offered for saying absolutely the right things in his innumerable speeches and public addresses to the nation, and we have a power-drunk governing party which seems content to focus on internal divisions at a time when it should be offering real leadership and putting the country first. Crises such as public funerals and COVID-19, it seems, are not opportunities to take charge and rise to the challenge of marshalling the forces in the same direction and to inspire confidence in a nation that has become scandal weary; instead, these are opportunities to pillage and ensure that leaders and those close to them make as much money as possible.

The opposition is not much better. At a time when the African National Congress is at its most vulnerable, the Democratic Alliance chooses to turn its back on the black majority and to return to the fight-back days of Tony Leon when its predecessor was content to represent only the country's minorities. When it became clear in the 2019 elections that those who were in the verkrampte wing of the New National Party which was swallowed up by Leon's Democratic Party to form the DA could not possibly countenance being led by a black man whose ambition was to turn the party into one which might one day appeal more meaningfully to the black majority, the DA chose to remain true to Leon's values. It chose the past, rather than the future, in a vain effort to lure back those white compatriots it had lost to the Freedom Front Plus.

The DA's performance in the 2019 elections, which was conveniently – and wrongly – blamed on poor Maimane (when it should have been blamed on Zille's series of offensive tweets, the merciless hounding of De Lille out of office as Cape Town mayor and the party's lukewarm – or non-existent – position on matters of real importance to black compatriots), offered that party a great opportunity to ditch its conservative past as ideological purists and reposition itself as a social democratic party which would have the potential of taking on the power-drunk ANC. Instead, it chose to retreat to the comfort of Leon's Fight B(l)ack position, which had some modicum of success for the FF Plus in last year's election as Slaan Terug.

Even during Leon's days, the DA was happy to have black people support or vote for it – as long as they denied their own identities as black people, pretended that apartheid never existed and were happy to be led by their white superiors. That is why, when the likes of Lindiwe Mazibuko, Patricia De Lille and Mmusi Maimane became too uppity and began to believe that they could actually lead the party of white privilege, they had to be cut ruthlessly down to size.

In fact, Maimane's biggest mistake, after the 2019 elections, was his choice of people to serve on a three-member team to investigate why the DA had performed poorly in those elections

– if such a review had to be conducted in the first place. It came as no surprise that the review panel (made up of Leon, Ryan Coetzee and Michiel le Roux and, therefore, seriously lacking in diversity) recommended, among other things, his ousting and a return to a Fight B(l)ack-type party.

Good luck to Helen Zille and John Steenhuisen with their illusion of a South Africa where race does not matter. They have done a great job of condemning the DA to being no more than a regional party of the Western Cape. Herman Mashaba and Maimane should move swiftly to occupy the space vacated by the DA, and leave the latter to fight for the minorities' votes with the FF Plus.

While Ramaphosa has the necessary gravitas as Head of State and would appear to mean well with his public pronouncements, the time for speeches is over. Far more important now is the translation of his words into meaningful actions, and not just some public-relations steps such as declaring that ANC members with charges against them will have to "step aside" – while they remain in their positions and draw salaries from the public purse. We will need to see action against the blatant abuse of public resources, such as the use of a South African National Defence Force plane to ferry ANC leaders to a meeting with their Zimbabwean counterparts in Harare.

Tough public pronouncements which are vacuous and are not accompanied by action, such as Ramaphosa's call on Defence Minister Nosiviwe Mapisa-Nqakula to explain herself for having transported an ANC delegation to Harare on a SANDF jet, will continue to erode Ramaphosa's credibility. The fact is that the President will have known, even before the ANC delegation left, that they were going to be transported on a Government plane – and at a time when ordinary South Africans do not have the luxury of international travel, thanks to the remaining COVID-19 lockdown restrictions.

Also, just as President Nelson Mandela was principled enough to denounce Nigeria's military ruler, General Sani Abacha, for the execution of Ogoni activist Ken Saro-Wiwa in 1995, so, too, should Ramaphosa publicly condemn the goings-on in Mnangagwa's Zimbabwe. It is utterly unbelievable that the ANC, which correctly called on the international community to ostracise apartheid South Africa in the 1980s (and correctly dismissed the excuses by US President Ronald Reagan and British Prime Minister Margaret Thatcher that sanctions would hurt most the very people they were meant to help), today mollycoddles dictators to our north and calls on the international community to lift remaining sanctions against that country because – wait for it – these would hurt most the very people they are meant to help.

Stranger still is the fact that both Ramaphosa's Government and the ANC would allow themselves to be dictated to by Mnangagwa and ZANU-PF about whom they could see and talk to in that country. Have this Government and the ANC no pride? Does principle count for naught now?

Our country is in trouble. Our economy is shrinking and we have all become poorer than we were in 2009, and yet it is bereft of real leadership. The ANC is a house divided, too internally focused and dogged by corruption; the DA has turned its back on the black majority and is intent on battling it out with the right-wing FF Plus for the white minority vote, and the EFF is a dangerous, highly-opportunistic organisation which thrives on conflict.

As a country, we deserve much, much better. We must all stand up and put enormous pressure on the Sixth Parliament to amend the Electoral Act, as directed by the Constitutional Court, in time for the 2024 general elections so that, in addition to these damaged parties with vested interests, we would be able to have individual men and women of integrity to choose from when we cast our votes.

Kaizer M. Nyatsumba
Chief Executive Officer.

LUCIO TRENTINI – THREE DECADES OF WALKING THE SEIFSA TALK

SEIFSA turns 77 this year and while the Federation has seen employees come and go throughout its existence, there is one member of the SEIFSA team who has walked with SEIFSA more than a third of its journey. Operations Director Lucio Trentini, who celebrates 30 years as a SEIFSA employee this year, is the sort of individual any organisation would seek to hold on to. The sort whose institutional memory and commitment to the organisation is arguably unparalleled in the industry, especially if one considers that many of his peers have changed jobs a number of times.

Mr Trentini joined SEIFSA in 1990, at a time when South Africa was turning the corner. Nelson Mandela had been released earlier that year and negotiation talks would soon follow, and political freedom was within sight. For the unions, whose actions during the apartheid years were politically motivated, their focus would soon turn to workplace matters – how to improve the livelihood of workers through higher wages and better conditions of employment. Economic Freedom was now the next frontier.

"I remember coming to SEIFSA 30 years ago … and I thought to myself … what am I going to learn about industrial relations in a head office in the centre of the CBD? But what I have learnt in the field of industrial relations and collective bargaining I wouldn't have learnt anywhere else in the country and possibly the world," he says.

Over the years, Mr Trentini has been part of a group of industry players who have shaped collective bargaining in the Metals and Engineering industry, thanks to his role – and career growth – at SEIFSA. "As a young man thrown into the field of industrial relations, one of the very first tasks that I was exposed to was to try to understand the complexities of the then annual round of industry wage negotiations," he says.

This put him at the forefront of SEIFSA's engagements with labour, helping to direct the new rules of engagement that would see greater co-operation between labour and business. "SEIFSA's role in centralised collective bargaining in the 1990s was, as is the case today, crucial to its success. Through the complex process of proper mandating, on-going engagement with organised labour and steadfastly persevering when the cause almost seemed lost, many a deal was concluded," he says.

"At the beginning of the 2000s, SEIFSA was instrumental in introducing a radical transformation of the employer and union parties' manner and approach to the annual wage negotiation process. This entailed a decisive move away from the long-standing, confrontational bargaining stance of the past and the introduction of more effective and facilitated collective bargaining mechanisms. The establishment of this new bargaining relationship in the sector foreshadowed a more mature approach to future negotiations, improved relationships between the employers and trade unions and laid a sound platform for industrial stability and growth."

This is not to say, however, that relationships never faltered. For Mr Trentini, his career low came in 2014, when workers and employers were just unable to find each other during wage negotiation. That wage deadlock led to a four-week violent strike after about 220,000 workers downed tools for a month. His career high would come just three years later, when the negotiating parties on the Metal and Engineering Industry Bargaining Council were able to reach a wage agreement without any work stoppage. He is also proud of the recent standstill agreement reached in August – which has effectively frozen wages and existing terms and conditions until the end of June 2021 – as the parties had recognised the devastating impact COVID-19 had had on the industry and the economy as a whole.

It has to be said, though, that while the demands of SEIFSA can become hectic at times, Mr Trentini says he is fortunate to have a supportive wife who understands the demands of the job and has given him the space and time to do what needs to be done.

"When my wife, Heather, and I decided to start a family 21 years ago, we knew we wanted to be involved parents. When my eldest son started grade one, my wife took the decision to put her career on hold to become a full-time mom. My wife and I have tried very hard to be involved and loving parents. As my career began to take shape, I knew that matters at home and school were in excellent hands and today I recognise that I am an extremely lucky and any success I may have achieved at work was mainly due to the love and support of my wife." he says.

Mr Trentini says his wife and two sons, Andrea and Alessio, know that SEIFSA has been an important part of his life and he has been able to get on with his job knowing that home is in excellent hands: "My job has afforded me a very privileged platform to provide my family with a safe, loving and stable home. I am extremely grateful and I have no doubt that my family understands that, too."

Lucio and Heather Trantini

"

Mr Trentini says his wife and two sons, Andrea and Alessio, know that SEIFSA has been an important part of his life and he has been able to get on with his job knowing that home is in excellent hands

Looking back on this career, Mr Trentini believes it would be remiss of him not to thank those who made it possible for him to make this contribution to SEIFA, saying that his tenure is due to the loyalty of member companies, who continue to support SEIFSA and ensure that it remains relevant in the industry. He also thanks the Associations affiliated to SEIFSA, as well as captains of industry and labour unions, who have trusted his ability to sit at the table and represent SEIFSA.

Not bad going, he says, for the son of an Italian immigrant, who grew up in Yeoville – but who would one day become the first Trentini to obtain a university degree and go on to make a lasting contribution to the Metals and Engineering industry.

While 30 years seems like a long time to be working for one organisation, Mr Trentini says he still has a few more years to give to SEIFSA before he retires. "Retirement is still some time away; to be honest, I haven't really given it much thought," he says.

"I know that I should, but I also know that important work still lies ahead for SEIFSA. I do know that when retirement hopefully does come, I will be doing something – what it is, I don't quite know yet. I will be 57 next year and, God willing, I would want to reach the mandatory retirement age of 63, so I have some time. With the skills set I have honed and developed over 30 years of doing what I do, I am certain that retirement will not be spent looking back on a career that was," Mr Trentini said.

PROTECTIONISM IS NOT A PANACEA FOR FOREIGN COMPETITION AS IT MAY COME WITH UNINTENDED CONSEQUENCES

Dr Michael Ade, SEIFSA Chief Economist

The pre-COVID-19 challenges faced by local businesses in the diverse steel, metals and construction industries, two recent successive technical recessions and the ongoing Coronavirus-induced economic crisis pose significant constraints to enhanced industrial activity.

Companies are grappling with poor cashflow and lack of demand for their products, compelling senior executives and managers to recalibrate processes and review strategic plans, operations and budgets in order to ride the COVID-19 storm.

Disconcertingly, recent preliminary data (including high-frequency data) reflect the extent to which the economic crisis has wreaked havoc on industrial activity. Encouragingly, the available information also provides key insights into idiosyncratic challenges faced by the various sub-sectors, enabling mitigating plans to be developed and implemented.

Steel overcapacity and a resultant surge in cheap imports have placed the South African steel, metals and construction industries in a precarious situation as companies fight for their continued existence.

Additionally, the advent of the COVID-19 pandemic has triggered the so-called new normal, with business operations increasingly becoming atypical amid galloping unemployment. These predicaments have placed policy makers under immense pressure to protect domestic steel and metals producers via strict safeguard measures or enhanced protectionism aimed at boosting trade and rebooting the economy.

The strategic nature of these industries and their direct and indirect contributions to job creation broadly justify efforts by the South African Government to implement protectionist import tariffs and custom duties to enhance the competitiveness of indigenous businesses, prevent dumping or trade deflection and support re-industrialisation. However, as the dogma of protectionism gains momentum, one cannot discard its ambiguity, which may invariably cause more harm than good.

The arguments in favour of or against protectionism abound in the theoretical literature – and the good arguments by proponents of protectionism may include the need for strategic security for certain goods. South Africa places a degree of protection on its steel and metals industries and an argument in favour of protecting the strategic industries bodes well, as no country would want to be in a position whereby it is a net importer of steel or metals.

However, despite the good intentions, prolonged and repetitive protectionism could be interpreted by local companies that are not direct beneficiaries of the measures as an act of uncompetitive behaviour, with dire, unintended contemporaneous consequences. Import tariffs and custom duties should be time-bound and specific to avoid long-term undesired effects on other equally important sectors and consumers of steel and metals

products, such as the construction, mining and automotive industries.

Arguments in favour of trade barriers and taxes on imported steel and metals products, that these policies benefit the protected industries and prevent jobs from being exported, are invariably not good since they do not consider the costs. The trade barriers may only protect the specific jobs in the industries that they are intended to protect, but be to the detriment of other industrial sectors that are users or consumers of the inputs, as jobs may be lost in the process. This is because companies in the unprotected industries would be compelled to buy locally produced and protected inputs at higher prices than they would imports, leading to higher operating costs and reduction in net domestic employment.

Raising tariffs on foreign coal or iron ore from foreign efficient producers, for instance, may protect the jobs of workers in the mining or steel industry in South Africa in the short to medium term, but prolonged repetition of such a policy may result in higher energy or input costs all over the country. The process would eventually compel local businesses outside of the mining or steel industry to pay higher prices for coal or iron ore than they would from cheaper foreign producers, eventually forcing them to raise prices in order to remain competitive. Consequently, the demand for locally produced goods with higher costs could dip as selling prices rise, leading to diseconomies of scale and job losses.

Bizarrely, this exposition points to the uncomfortable fact that the continuous implementation of a set of protective import tariffs and customs duties within the steel or metals industry may inadvertently have contributed to the doggedly high domestic unemployment rate, also negatively affecting the derived demand for intermediate products as general income levels dip. Also, prolonged protectionism may eventually hinder the competitiveness of the local industry once indigenous companies are required to operate in a free market.

Prolonged or repetitive protectionist trade policy is not a panacea to the challenges facing the beleaguered steel and metals sectors, as any short-term benefit would be a pyrrhic victory. Rather, time-bound protectionist measures should be applied, with a view to eventually opening up the industry for competition. Rivalry in business breeds success as companies learn from their failures and get to sharpen the saw. Therefore, systematic and targeted support for all companies, large or small, in the entire value chain is needed to ensure their competitiveness.

Protecting an unproductive company or industry that faces foreign competition only allows it to keep using resources that would be better used by more vibrant companies or industries. In addition, employees who would otherwise move to jobs in innovative, highly-productive new industries in an open competitive and lively free market scenario instead get stuck in a company or industry so unproductive that it can survive only by having the government consistently intervening to tilt the economy in its favour. Besides, continuous expectations of frequent support from policy makers and the International Trade Administration Commission of South Africa (ITAC), underpinned by written or tacit approval from industry stakeholders, to ring market forces in a certain direction to ensure sustainability or perpetuate monopolistic practices in the steel industry is not only unsustainable, but it is also unconscionable.

Instead of the Government indefinitely protecting unproductive companies or industries to avoid the need for change and consequential unemployment, the Government could directly assist employees by facilitating retraining programmes and enabling the acquisition of new skills. Once protective tariffs are implemented, the Government and industry bodies that operate vibrant skills training centres should identify skills gaps that render the industry uncompetitive and support the requisite capacity development. This initiative would compel workers to embrace new technology towards reduced cost curves, increase their employability and ensure that the broader industry is more competitive when the tariffs elapse.

Undeniably, the move from a moribund company or industry to an innovative new company or industry can be rough for an individual worker, especially given the context of galloping unemployment in South Africa. However, if beneficiaries of protectionism stick to quid-pro-quo commitments to invest in technology and adopt smart manufacturing processes, the steel and metal industries will be the ultimate winners.

Initiatives aimed at boosting trade for businesses should be reciprocated by capital spending and not by lip service since trade determines the demand for a commodity, while investment is the supply side of the market. The dearth of greenfield investments and weak consequence management by national enforcing bodies partly explain the precarious state of the steel and metals industries.

Although protectionism has its benefits, it should be perceived as a means to an end, aimed at enabling local companies to be ready to compete globally, rather than as an end in itself, with negative implications on input prices and employment.

Collegial concerns regarding the unemployment conundrum mean that the implementation of protective tariffs and import duties should be preceded by thorough investigation, including an assessment of the unintended consequences on jobs in other industrial sectors. Otherwise, competition should be accelerated, promoted and strongly supported in order to re-ignite trade in the steel and metal industries towards job creation and retention.

Dr Michael Ade is the Chief Economist of the Steel and Engineering Industries Federation of Southern Africa (SEIFSA).

SA NEEDS TO INVEST IN ZINC IF ITS INFRASTRUCTURE DRIVE IS TO BE VIABLE

Simon Norton is head of the International Zinc Association Africa Desk

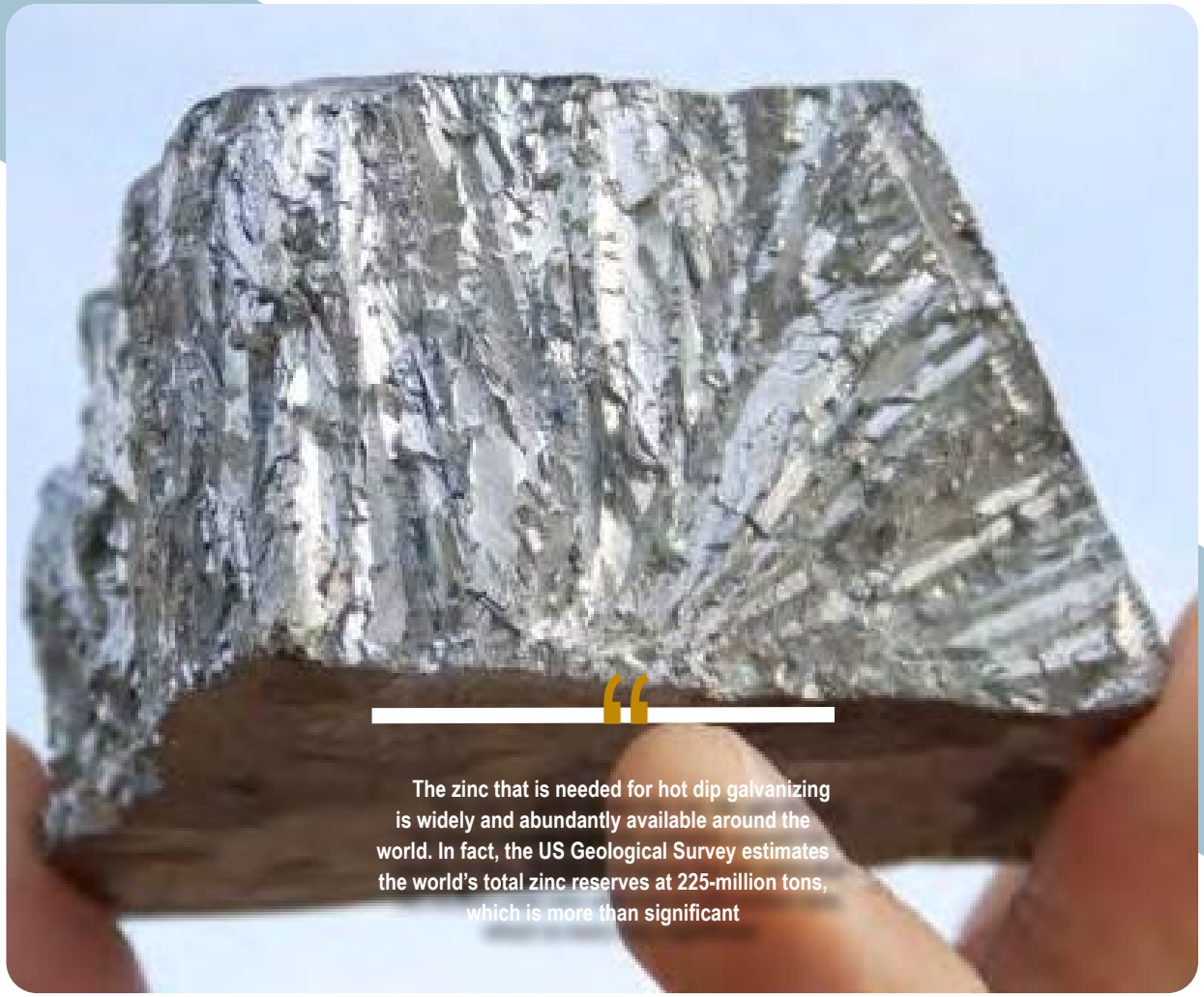
In July, the Presidency named the first projects in its R2.3-trillion infrastructure drive aimed at resurrecting the economy over the next decade. The list includes projects ranging from key water supply and irrigation developments to energy, roads, housing and fish-farming plans.

But if Eskom has taught us anything, it's that investing in infrastructure is one thing -- maintaining it is another. While the government's approach is certainly positive, we need to caution against money being wasted because projects aren't designed to last, or easily succumb to premature corrosion particularly at the coast where conditions can be severe.

What's required is a strategy that prioritises long-term gains over short-term profiteering. Belying this approach is an understanding that focusing on quality and performance today will ensure long-term benefits, and ultimately cost savings.

One way to ensure the longevity and resilience of projects in the construction industry and civil engineering sector is to pay careful attention to how new build projects are specified and specifically selecting materials. This is where hot dip galvanizing has a key role to play as one of the most cost-effective ways to both prevent the premature corrosion of steel and to ensure a long-term, low-maintenance service life of the project.

Hot dip galvanizing, simply the process of coating steel with zinc in order to protect the material from corrosion, has the potential to protect steel structures from corrosion for up to 50 years in the right environment. The appeal of hot dip galvanizing is that it is only marginally more costly than painting at the outset of a project, but



The zinc that is needed for hot dip galvanizing is widely and abundantly available around the world. In fact, the US Geological Survey estimates the world's total zinc reserves at 225-million tons, which is more than significant

the savings in terms of long-term maintenance-free service are exponential. Galvanized steel is completely recyclable too. This offers both an environmental and economic benefit, and in a pressurized economy such as in South Africa, it is hard to argue against a solution that can guarantee long-term savings.

Importantly, the zinc that is needed for hot dip galvanizing is widely and abundantly available around the world. In fact, the US Geological Survey estimates the world's total zinc reserves at 225-million tons, which is more than significant. The new Orion zinc mine in Prieska in the Northern Cape will, on average, produce 59,130 tonnes a year of zinc in concentrate compared to SA's output of 115,000 tonnes in 2019, according to Minerals Council SA data. However, it is to be noted that South Africa has no zinc refinery of its own and must import refined zinc ingots.

In the context of climate change and the goals outlined in the United Nation's Sustainable Development Goals for the reduction of greenhouse gases, it is crucial that all developments take environmental impact into account. Zinc is not only a cost-effective material, thanks to its natural abundance, but it is also sustainable as it can be recycled without losing or compromising any of its metallurgical properties or overall value. As such, it can be used over and over again with its recycling capability ensuring the reduction of concentrate demand, energy use, emissions and waste disposal. Zinc also has a reclamation rate of 80%, according to the American Galvanizers Association, while some 30% of zinc currently in use is from reclaimed zinc sources. President Cyril Ramaphosa has said that infrastructure development is central to the country's economic response to the coronavirus pandemic, with Minister of Public Works and Infrastructure, Patricia de Lille, adding that infrastructure-led economic development could be an effective way to stimulate economic growth. What needs to be added to this is an approach that prioritizes long-term sustainability over the short-terms gains for a select few.

In order to achieve the growth we so desperately need to provide millions of South Africans with job opportunities, we need to take a future focused approach that includes ensuring the resilience of our infrastructure. What better way than to design and build new infrastructure using galvanized steel and maximising the capacity of South African hot dip galvanizers of whom there are 28 spread across SA.

WHAT'S HAPPENING AT SEIFSA

In this age of job-hopping and the gig economy, the notion of working for one organisation until retirement age is no longer the norm. This is why SEIFSA is delighted to celebrate the recipients of the SEIFSA long service awards. We thank them for their long-standing commitment and loyalty to the Federation. They are:

Penny Seitz
5 Years

Mariaan de Jager
5 years

Zandile Ngubeni
20 years

Lucio Trentini
30 Years

NEW APPOINTMENTS:

SEIFSA welcomes three new additions to the SEIFSA Team:

Tsakani Baloyi and Thabang Matlala have joined the Marketing, Sales and Communication Division as Sales Officers and Palesa Molise has joined the Economic and Commercial Division as an Economist.

Tsakani has numerous training certificates and previously worked at BEE Chamber and Premier Conferencing events, while Thabang previously worked at GPR Training Academy.

Palesa holds an M. Com in Development Economics from the University of Johannesburg. Prior to joining SEIFSA, Palesa worked for Sanlam and Pearson Institute.

SEIFSA wishes them a long, happy and fruitful stay at the Federation.

CELEBRATING EXCELLENCE THROUGH SEIFSA AWARDS FOR EXCELLENCE

The SEIFSA Awards for Excellence aim to promote and reward innovation and excellence in the metals and engineering sector.

The sixth edition of the awards take place at a time when businesses are grappling with the devastating impact of COVID-19. Many have come to the realisation that it is only by innovating the way they do business that they will survive the pandemic. It is precisely this sort of innovative thinking that the SEIFSA Awards for Excellence seek to celebrate.

This year's nominees are:

MOST INNOVATIVE COMPANY OF YEAR

- Hencon Conveyors
- Alos Holdings
- Boikano Industries
- Elgin Brown and Hammer
- Mann Makhene Machinery
- Centurion Systems
- Sinter Metals
- Matsway Steel

HEALTH AND SAFETY AWARD OF THE YEAR

- Babcock
- Kaefer

BEST CORPORATE SOCIAL RESPONSIBILITY PROGRAMME OF THE YEAR

- Beka Schreder

MOST TRANSFORMED COMPANY OF THE YEAR

- Boardroom Appointments
- Movidna Services
- Pamodzi
- Trenceto

THE ARTISAN AWARD

- Kgabo Cars

THE AWARDS TAKE PLACE ON: 20 NOVEMBER 2020

Train manufacturer Gibela's R6.4-billion investment in South Africa's manufacturing sector since its inception is proof of what can be achieved when the Government and business work together for sustainable economic growth, and by extension, support the struggling metals and engineering sector.

Gibela has produced 40 of the 600 new passenger trains for which it has a R59-billion contract with the Passenger Rail Agency of South Africa (PRASA). It was formed in 2013 as a black economic empowerment consortium, the Gibela Rail Transport Consortium, comprising French rail company Alstom and South Africa's Ubumbano Rail. Gibela's contract includes a manufacturing and supply agreement and technical support and spares supply agreement.

Releasing Gibela's first socio-economic impact survey, CEO Hector Danisa said R6.4-billion had been spent on local content in the four years since inception.

"We are building a rail hub that will supply South Africa with comfortable and efficient trains. Trains are the most efficient transport mode and can carry the largest number of people. With the global population growing and becoming increasingly urbanised, and considering the cost to users and the impact on the environment, we believe trains are the future," said Mr Danisa.

Of the R6.4-billion in local content spent on setting up the Nigel plant and manufacturing the train sets (engines and carriages), R4.6-billion has thus far gone to 370 black-owned companies as per South Africa's preferential procurement rules.

> "We are building a rail hub that will supply South Africa with comfortable and efficient trains

LOCAL SUPPLIERS BENEFIT FROM GIBELA'S INVESTMENT IN SA'S MANUFACTURING SECTOR

Of that, R1-billion went to small and medium-sized enterprises, some of which are owned by black women.

All this set out in Gibela's report, The Socio-economic Impact of Gibela, which explores development the company has undertaken in a bid to help South Africa reach the broad socio-economic objectives set out in the National Development Plan's transport sector objectives. These are revitalising the rail sector, promoting commuter rail as a transport mode of choice, driving inclusive growth, and community upliftment.

Buyiswa Mncono-Liwani, Gibela's corporate services executive, said Gibela had done this through SMME development, through awarding business to local companies, or to international companies, but with a stipulation that they use local labour or local material. "We have achieved 44% local content and are on an upward trajectory," she said.

However, in an interview with SEIFSA News, Mr Danisa conceded that Gibela would have liked to have provided more support to the local manufacturing industry – and the metals and engineering industry in particular. Local producers of steel were difficult to source despite the rail company's best efforts.

For example, the company was forced to import components such as stainless steel and carbon steel because local supply was not sufficient, especially considering that Arcelor Mittal South Africa does not operate at full capacity to manufacture the products.

However, the company was able to source some of its material from local suppliers.

"We are a small player so our efforts may seem insignificant, but we did our best," Mr Danisa said.

Danisa highlighted that it was vital to resuscitate the local metals industry, which faces significant challenges such as skills shortages and erratic power supply. "The industry needs to work together and engage with the government."

In terms of skills shortages, he lamented that Gibela had to import welders of stainless steel because there are no local artisans for the specialised type of welding they needed. "In 2010, we were building stadiums – where did that skills base go post the 2010 Soccer World Cup?" Mr Danisa asked.

He said skills transformation in the industry needed to be consolidated to ensure more collaboration in developing the skills of more niche vocations such as stainless-steel welding.

Danisa was, nevertheless, proud of the impact the Gibela project had made, saying similar partnership models were being considered in countries such as Australia, India and Kazakhstan, based on the principle of ensuring localising content and ensuring that communities benefit in terms of job creation.

SMALL BUSINESS **GUIDE TO SUCCESS**

Small businesses are widely recognised as the lifeblood of economies the world over. Research by McKinsey has found that in South Africa, SMEs make up 98% of businesses.

South Africa is not a small business-friendly environment and many of these businesses struggle under the strain of several challenges including bureaucratic red tape and lack of access to finance.

But while SMEs do undoubtedly operate in a tough economic environment, they can work towards their sustainability by focusing on a number of key aspects in the value chain. They might sound elementary, but many companies ignore them at their peril, says Leon Viljoen, a business consultant.Strategy

Strategy is a company's roadmap to success. It is a plan of action designed to achieve a long-term goal. Without it or its implementation, companies are operating in the dark. Yet many companies, especially SMEs, ignore this when things are going well and get bitten when the economy takes a turn for the worse, as is the case currently.

"Having the correct strategy that everyone in the company understands is the foundation of any successful company," says Mr Viljoen.

"It is also important to look at what other products and services the current customers require. These can be obtained by forming partnerships. It is an easy and cost-effective way of expanding the current business. One must also look at the existing products and capabilities and see what other markets or industries can be entered into to ensure the company is more sustainable in the long run," he adds.

MARKETING

The world has gone digital and companies need to embrace this. "We live in the digital age and need to utilise this. Social media can be a very effective source of generating leads and connecting with potential customers. The cost of this is also much lower and a lot more effective than the old formats of advertising and marketing," Mr Viljoen says.

SALES

Seeking new customers is critical, says Viljoen. He says he has seen many companies close their doors because they relied on one or two customers for their survival. "Ensuring that time is spent on the correct customers that bring the most value to the company is important," Viljoen says. He adds that this aspect is not focused on by many small companies and customers that bring little value sometimes consume most of the available time of sales personnel to the detriment of the company.

MANUFACTURING/ OPERATIONS

The single biggest issue that even international companies battle with is short interval control, especially where labour is concerned. Short interval control ensures that problems are highlighted quickly and focused on to ensure they are resolved as well as not repeated.

"If you can get short interval control right you have a successful manufacturing/operations process," he says, adding that companies that implement Lean Manufacturing and Lean 6 Sigma principles into their processes are a step ahead of other companies.

FINANCE

Financial statements are reactive but ensuring that certain aspects and ratios trend in the right direction is important, Mr Viljoen says. "Cash is king and many companies go bankrupt not because they do not make a profit, but because they don't have cash," he says.

PROCUREMENT

"Setting up a strategy to ensure you have the correct product/material at the correct time is critical," says Viljoen. This can save the company a lot of money because they can then lower their stock levels without impacting on their ability to service their customers, he adds.

PARTNERSHIPS

Last, a company cannot be everything to everybody, so partnerships are crucial to ensure customers' needs are satisfied. Building the correct networks in the industry is important. It is said that 70% of small businesses fail within the first two years, so connecting with the right partners and people who can mentor, support, and importantly, open up access to funding for small businesses, will be key to survival.

Mr Viljoen, has over 20 years of business experience in manufacturing and project execution at senior level and offers that very partnership for businesses wanting to thrive in this tough environment.

SINTERED METAL PRODUCTS ACHIEVES IATF CERTIFICATION

Sintered Metal Products has achieved IATF 16949 certification, which says Pierre Wentzel, a director at Sintered Metal products, will aid in job creation and localisation of content.

Sinter Metals, which produces a diverse range of automotive components such as shock absorber components, sprockets, pulleys and bearings for 1st and 2nd tier original equipment manufacturers (OEMs), was assisted by BSI Group, the national standards body of the UK, to achieve the certification.

Both companies are members of the National Association Automotive Component and Allied Manufacturers (NAACAM), which has been championing the automotive industry masterplan to 2035. The vision of the plan is to, among others, increase local content in South African assembled vehicles to up to 60% and double total employment in the automotive value chain.

BSI, which supplies certification and standards services to businesses, assisted the automotive parts manufacturer to accelerate certification of its localised production to a globally recognised standard, providing the organisation with a "passport to business".

THE BENEFIT

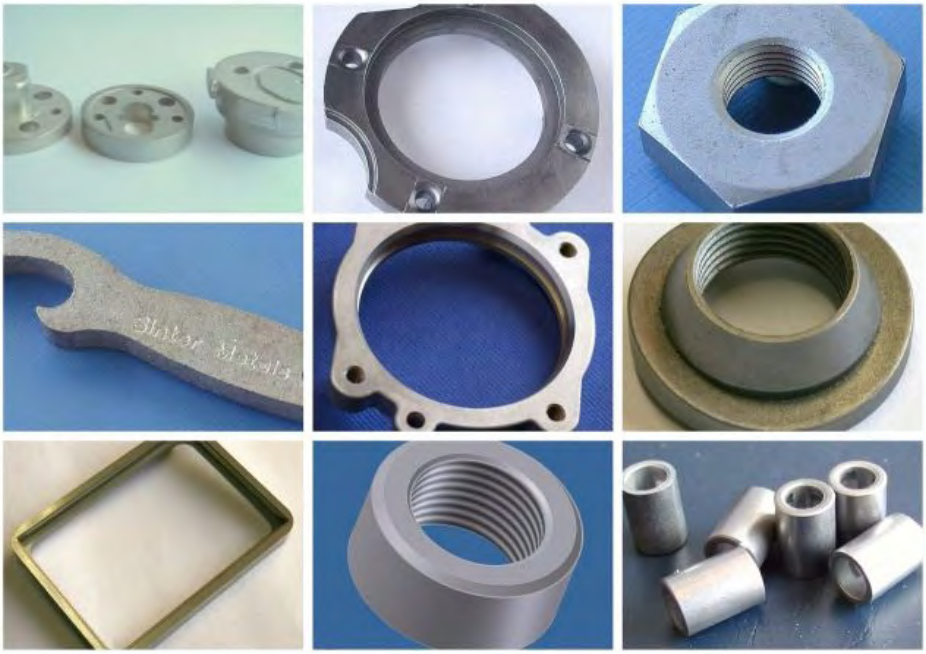
Certification to IATF 16949 is widely recognised across the automotive manufacturing sector as demonstrating a commitment to quality products and services throughout the supply chain. Based on ISO 9001, it provides best-practice when designing, manufacturing, installing or servicing automotive products, a requirement throughout much of the global automotive industry.

"Sintered's successful certification to the standard represents a major breakthrough. It is expected to help reshape the wider automotive component production landscape in South Africa, where there has been a tendency to rely on imported products," Mr Wentzel said.

"Achieving IATF 16949 status adds value from continuous improvement via regular external audits. Using risk-based methodology, Sintered has been able to streamline its QMS, driving focused improvement and confidence that paved the way for investment of R7.5-million in new furnace technology."

Mr Wentzel said the IATF 16949 status would also give Sinter a competitive advantage as the quality management system is equivalent to that used by OEMs. "That in itself gives us the opportunity to aid in job creation as we can only create jobs if we have quality sales."

Since achieving IATF 16949, Sintered has won business worth R5-million with the potential for contracts worth a further R10-million. Meanwhile, it has seen a reduction in internal process scrap from 3.5% to 1.5%, a year-on-year reduction in 2020 of 57%.



Southern African Metals & Engineering NDABA '21

SAVE THE DATE

8-9 March 2021 IDC

meindaba.seifsa.co.za

CEFA CELEBRATES 100th Anniversary

SEIFSA congratulates the Cape Engineers & Founders Association (CEFA) on its centenary anniversary.

The history of SEIFSA is closely intertwined with that of CEFA. One of the pioneers of the Steel and Engineering industry, Harry Gearing, who served as the first chairman of CEFA when it was founded in 1920, was a key player in the formation of SEIFSA, becoming its first president when the Federation was formed in 1943.

The formation of SEIFSA brought together most of the steel and engineering industry and strengthened the ability to negotiate collective bargaining agreements at a national level as CEFA focused on the regional level as the recognised Association of the Metals and Engineering (M&E) industry in the Western Cape.

With the advent of democracy and the new political dispensation, labour law was re-written with the formation of the Labour Relations Act and the Basic Conditions of Employment Act. This also converted industrial councils to what are now known as bargaining councils. Today the Metal and Engineering Industries Bargaining Council (MEIBC) is the largest bargaining council in South Africa.

SEIFSA is, therefore, proud of its partnership with CEFA that has seen the two organisations work tirelessly to ensure a sustainable M&E industry.

100
1920-2020
CAPE ENGINEERS & FOUNDERS ASSOCIATION (CEFA)

ACCREDITED TEMPORARY EMPLOYMENT SERVICE PROVIDERS

Accredited Temporary Employment Service Providers as at 23 September

- Adcorp BLU a div of Adcorp Workforce Solutions (Pty) Ltd
- Adcorp Blu a division of Adcorp Staffing 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
- Consortium Personnel Consultants cc
- 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
- Phakisa Holdings (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
- The Workforce Group (Pty) Ltd
- Themba Njalo Camden
- Tributum Emawi (Pty) Ltd
- Vusithemba Mpumalanga.

EEAIA HELPS POWER ONLINE LEARNING FOR WITS STUDENTS

The Electrical Engineering and Allied Industries Association (EEAIA) has donated R30,000 to Wits University via the Back a Buddy crowd funding initiative to help the university implement an online learning programme as a means to continue curricula and ensure the community are kept safe from COVID-19.

The move to online education was unprecedented and required a rapid restructuring of curricula in order to be delivered on an online format. The decision sparked community uproar as the inequalities among students, which would prevent their access to online education, became more starkly apparent. Students threatened to boycott online programmes until all students have fair and equal access to participate.

Wits intervened by providing 30 gigabytes of internet data to all students across all mobile networks and loaned 5 000 laptops to deserving students. However, little thought was given into how students without proper access to electricity would power their hardware.

The School of Electrical & Information Engineering at Wits University had recently developed a plug-and-play, off-grid, renewable energy electrification system that was expandable, safe, fault-tolerant and low maintenance, called the Personal Consumer Grid.

This innovation is essentially a home electrical grid solution, to easily integrate renewable energy sources along with batteries and appliances, for the electrification of households in Africa. This expandable solution ensures that as a household can afford more solar panels or wind generators, batteries or 12 V appliances, these components are easily added to the system, with no need for a trained person to undertake these changes to the system.

The online learning programme gave the School the opportunity to pilot the innovation, with five students selected to benefit from the Personal Consumer Grid, giving them access to online education at a cost of R10,000 per student for the manufacture and distribution of the grid.

It also gave the EEAIA an avenue to provide assistance to students in need. With its R30,000 donation, the EEAIA funded three students, giving them much-needed online education from the safety of their homes.

Chairman of the EEAIA Mario Kuisis said the association had been looking to fund underprivileged students. Bursaries were complicated, so were still looking for alternatives when the national lockdown to curb the spread COV-19 started. “We were aware some students had been assisted with laptops to study from home, but they did not have power, So, the Back-a-buddy project was a convenient way to help others during the lockdown,” he said.

Mr Kuisis said what made the initiative even more exciting was that it would have an impact beyond the lockdown. With load-shedding a way of life in South Africa, the students would have reliable power.

With its R30,000 donation, the EEAIA funded three students, giving them access to much-needed online education from the safety of their homes.

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OUR PASSION, YOUR SUCCESS

INTERNATIONAL WATCH

UAE

UAE Extends ban on scrap exports

The United Arab Emirate's (UAE's) Ministry of Economy has announced the extension of the country's ban on exports of ferrous and paper waste, aiming to support local steelmakers amid the deteriorating market conditions.

The UAE's Ministry of Economy issued a directive to suspend the export of raw materials, in particular steel scrap under the following HS codes 720410, 720421, 720429, 720430, 720441, 720449 and 720450, for another four months from September 17, 2020.

UAE had banned the export of all ferrous scrap products for four months from 15 May. Products banned for export are listed under the HS codes 720450, 720449, 720430, 720429, and 720410, which encompass virtually all possible ferrous scrap export products, and 720421, which is stainless steel scrap.

UAE was the largest single supplier of ferrous scrap to India in 2019, when it dispatched 1.15-million tonnes to the country and accounted for 16.35% of all Indian ferrous scrap imports.

Source: STRATEGIC RESEARCH INSTITUTE, STEELGURU.

Latin America shows signs of gradual recovery in steel production and export

Latin American steel association Alacero announced that Latin America, which is one of the regions most affected by the COVID-19 pandemic, has continued with an improvement trend in July, adding a total of 4,450-million tonnes, an increase of 20% compared to June 2020, but remained 9% below July last year.

The three main producers, Mexico, Brazil and Argentina, registered an increase of 700,000 tonnes compared to June. In terms of rolled products, long steel production grew 17% in the month, compared to 3% for flats. On the other hand, that of seamless tubes remains depressed, which experienced a decrease of 26% compared to the previous month, and 69% compared to July last year, as a consequence of the crisis in the energy sector.

The Latin American trade balance during the second quarter suffered a decrease of 21% compared to the first three months of 2020, going from 15,641-million tonnes to 12,410-million tonnes. For its part, consumption grew by 6% compared to the previous month and reached 4,368-million tonnes in June; but it was 16% lower than the same month of 2019 at 5,187-million tonnes.

Imports represented 39% of consumption during the second quarter, surpassing the 36% of the previous quarter. This being one of the main risks faced by Latin American industry, especially considering that the percentage coming from China and Asian countries arrives in unfair trade conditions, Alacero reiterates his call to the governments of the region to face this challenge. According to a new study by Alacero, these asymmetries represent a danger for supply chains and therefore compromise the future of the Latin American steel industry, since about 60 jobs are replaced for every $1-million of imported metalworking products.

Exports have been maintained with 16% of production in the first six months of the year. The increase in exports and the fall in imports between May and June in Mexico may be positive signals about the expectations in the market related to the US recovery.

Source: STRATEGIC RESEARCH INSTITUTE, STEELGURU.

PRICE INCREASES IN METALS PRODUCTS GOOD NEWS FOR STRUGGLING INDUSTRY

SEIFSA officially welcomed the announcement by the South African government to gradually open-up the local economy to lockdown alert level 2, in line with the official risk-adjusted strategy.

T consumer, business and investor confidence. It is also pivotal for much needed economic growth, given that concerns about the state of the domestic economy had been mounting as companies felt the negative impact of the Covid-19 pandemic.

The move will enable more businesses to operate, also boosting overall industrial and economic activity, with extended benefits for the Metals and Engineering (M&E) sector which had been under significant duress.

Looking at the performance of key input prices, disconcertingly, there was a general uptick in input prices for the sub-industries of the M&E sector over the COVID-19 lockdown alert levels 5, 4 and 3, also spanning the months of April, May and June 2020. This was largely due to distortion in supply chains and little or no economic activity in the value chain. This article highlights the trends in some of the key input prices, also providing a brief exposition or rationale for the observed volatility.

The graph below captures the general movements in the input prices of three selected construction products over an 18-month period between January 2019 and June 2020. The prices of selected engineering products analysed are Lifting and Handling Equipment and Parts Thereof; Lorries, Trucks and Vans Exceeding 3,5 Tons and Machinery for Mining, Quarrying and Construction and Parts thereof.

Figure 1: Selected construction input prices

Figure 2: Selected Stainless steel products selling prices

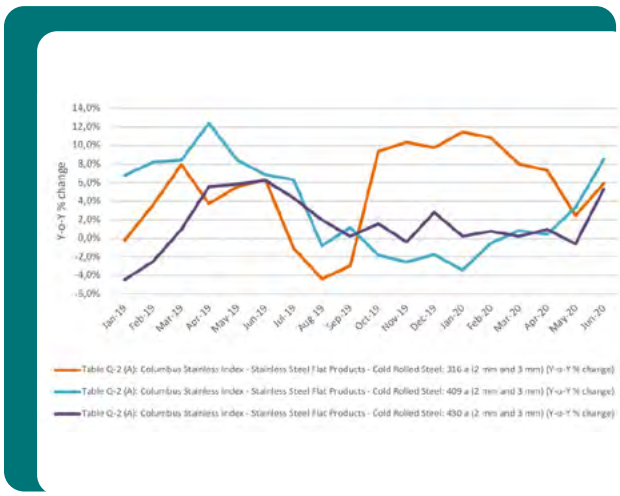


Figure 1 above shows that overall, the input prices of the Lorries, Trucks and Vans Exceeding 3,5 Tons index generally slowed from 6.7% year-on-year in January 2019 to 4.3% in June 2020.

The remaining two input price indices, on the other hand, exhibited a volatile and generally upward sloping trend over the 18-month period. The Lifting and Handling Equipment and Parts Thereof index increased the most, rising from 2.1% year on year in January 2019 to 14.4% in June 2020, against the backdrop of increasing demand as South Africa eased lockdown restrictions from May 2020, and with all construction activities allowed to resume from June 2020.

Figure 2 below captures the general movements in the selling prices of three stainless steel material products between January 2019 and June 2020. The selling prices of selected Stainless steel material variables analysed are Stainless Steel Flat Products - Cold Rolled Steel: 316(a) (2 mm and 3 mm), Stainless Steel Flat Products - Cold Rolled Steel: 409(a) (2 mm and 3 mm) and Stainless Steel Flat Products - Cold Rolled Steel: 430(a) (2 mm and 3 mm).

The figure illustrates that the overall selling price of all three selected stainless steel products followed a similar volatile and generally downward sloping trend from January 2019 to the latter part of 2019.

However, the selling prices of two of the components rebounded and continued to follow a similarly upward sloping trend from January 2020, with all three variables later trending upwards from May 2020.

Stainless Steel Flat Products - Cold Rolled Steel: 316(a) increased from -2.9% year on year in September 2019 to 5.9% in June 2020, Stainless Steel Flat Products - Cold Rolled Steel: 409(a) increased from -1.8% in December 2019 to 8.5% in June 2020 and Stainless Steel Flat Products - Cold Rolled Steel: 430 a (2 mm and 3 mm) increased from -0.4% in November 2019 to 5.3% in June 2020.

The increasing trend in the selling prices of the three stainless steel components from the second half of 2019 indicates there was demand for stainless steel which outstripped supply due to scarcity from the economic lockdown, leading to higher prices.

Figure 3: Selected commodity products selling prices

Figure 3 illustrates that the overall selling price of all the Coal: Australian Thermal Coal index, the Natural Gas index and the Tin: Standard Grade index followed a volatile and generally downward sloping trend over the 18-month period under consideration. The Coal: Australian Thermal Coal index decreased from -5.8% year-on-year in January 2019 to -29.1% in June 2020, the Natural Gas index decreased from -20.6% in January 2019 to -32.7% in June 2020 and the Tin: Standard Grade index decreased from -1.2% in January 2020 to -12.3% in June 2020, indicating very little or no demand for the products over the period.

However, an analysis of the months of April, May and June 2020 reflects a general increase in the prices of both Natural Gas and Tin Standard Grade, while the price for Australian Thermal Coal dipped during the start of the economic lockdown, but rebounded in the months of May and June 2020.

Although having the potential to reduce margins of businesses as they struggle to pass on cost increases to the market due to a generally difficult economic environment, the uptick in prices post the lockdown also reflects a general rise in demand as economic activity improves. This is good for the M&E sector as companies need to build on any signs of green shoot in order to get out of current difficulties.

On the upside, several developments bode well for a possible rebound and continued growth in the M&E cluster of industries in the short to medium term. First, the government is pushing ahead with its infrastructure investment plan which encapsulates efforts to partner with the private sector, in focused investment and implementation of infrastructure that will facilitate social and economic growth in a sustainable and purposeful way.

Second, there are plans to address demand in the M&E industry via increased targeted onstruction or infrastrustural spending and designation for local procurement as embodied in the soon to be published Steel Master Plan.

Finally, the relaxation of some COVID-19 restrictions since June should support an improvement in local services sector activity, enabling South African consumers to generate more income and consume the intermediate and final goods produced by industrial production – including the M&E industry and the rest of manufacturing.

STRENGTHENING THE STEEL INDUSTRY THROUGH SKILLS DEVELOPMENT AND TRAINING

Quality education and training are constituent components of the South African steel industry. As the consequences of the COVID-19 pandemic have wreaked havoc on the Metals sector, in the face of a steadily increasing unemployment rate across the board, the industry must focus on stimulating growth and employment opportunities.

This strategy begins with pioneering work-based learning programmes to ensure that youths are integrated in the steel manufacturing ecosystem.

According to Neil Reddy, Business Strategy & Projects Manager at Veer Steel Mills, while skills development and training has been disrupted in 2020 due to the coronavirus, it is more important than ever that the Metals sector restrategise and plan for 2021 and up the ante on tangible opportunities for education and employment. "It is crucial for business leaders and employers to act on the pre-eminent changes happening in the industry if manufacturing is to not only survive the negative strides detailed by this global pandemic, but improve in production capacity, and profitability in the sector through endorsing portable skills and the employment of youth."

Acting on this key ethos, Veer Steel Mills has partnered with institutions such as the University of Johannesburg and the Katlehong Engineering School of Specialisation with a focus on manufacturing. To date, Veer Steel Mills have had an intake of 200 trainees annually in various industries and in an

array of vacancies such as apprenticeships, learnerships, work readiness programmes and internships. From the learnership vacancies, they have absorbed 60 students on a permanent basis. "Our strategy at Veer Steel Mills is simple: we train to employ. Many organisations enjoy the benefits of induction, training and releasing and starting the process all over again, without a clear intention to absorb any trainees," says Mr Reddy.

The success of incorporating these training initiatives into your organisation lies in partnering with a relevant SETA, such as MerSETA (Manufacturing, Engineering and Related Services). This SETA's core mandate is to make available skills development programmes to increase the amount of engineering and manufacturing professionals in South Africa.

"SETAs are here to bolster job opportunities and focus on unemployment and the most effective way to combat unemployment is to get skilled workers and offer skills training, in turn, giving your company credibility and opportunity to see the success of a business growth strategy. There is a demand to bridge the gap between education and training in the workplace, and this can be achieved through a comprehensive portable skills programme. These administrations aid in Vocational skills training organisations will expand your skills and upgrade your career prospects. Through these programmes, your focus should be to absorb as many learners as possible into your organisation," Mr Reddy states.

Meanwhile, SEIFSA Human Capital and Skills Development Manager Sumaya Hoosen says efforts to turn around the economy post the COVID-19 pandemic provide a golden opportunity to focus on skills development not only within the company, but also in the communities where companies operate.

One of the biggest challenges facing the country today is a shortage of artisans, she says. "With major Infrastructure projects planned as a way to kickstart the economy, companies in the Metals and Engineering Industry should, as part of the skills development efforts, focus on artisan training in order to help close the skills gap that exists," she adds.

While Government has over the years shown a commitment to promote artisanship as a career of choice for school leavers through its Decade of the Artisan campaign, business too needs to come to the party by funding students who want to be artisans.

"An artisan programme can be pricier than university study, therefore, we encourage companies to provide funding to students," she says, adding that it will take a concerted effort to build a pipeline of skilled artisans.

"Back in 2018, research found that the average age of an artisan was 55. Given that the country has a shortage of about 40,000 artisans, it is imperative that Government and business redouble efforts to produce the next generation of artisans," Ms Hoosen says.

She says she encouraged by the Department of Public Works and Infrastructure's announcement in August that it will invest R66-million to train 400 Extended Public Works Programme participants to become artisans. The initiative will be implemented by AgriSETA, which will ensure the artisans are trained and certificated.

"If more partnerships such as these are concluded, we will start to see progress in building this pipeline of future artisans," she says.

Ms Hoosen says companies seeking to train artisans should not hesitate to contact SEIFSA. "We are proud to be part of the solution through the SEIFSA Training Centre, which can train about 250 people a day and offers apprenticeships in 10 trades," she says, adding that it is accredited as a trade test centre and has, since its inception, traded-tested 400 candidates per year since 2014.

Applications for the next intake at the SEIFSA Training Centre are currently open. For more information, please visit https://training.seifsa.co.za. ■

HOW TO APPLY FOR EXEMPTION FROM THE CONDITIONS OF THE MAIN AGREEMENT ON LEAVE ENHANCEMENT PAY

Member companies, struggling in an economy ravaged by COVID-19 and the lockdown that followed, have found their ability to pay to pay the leave enhancement pay significantly constrained.

These companies have a number of options to attempt to manage these difficult circumstances, one of which is applying for an exemption in attempts to reduce costs. The others include, retrenchments, lay-offs and short-time.

Members of Associations affiliated to the Steel Engineering Industries Federation of Southern Africa (SEIFSA) are able to submit an application for exemption to their Local Regional Bargaining Council, against any conditions of the Main Agreement, including wages and the leave enhancement pay or bonus.

The Main Agreement provides that every employee is entitled to leave enhancement pay, also known as the leave bonus, when they proceed on their annual leave. The vast majority of companies have an annual shutdown over December and January, usually commencing on December 16, which this year falls on a Wednesday.

The leave enhancement pay is calculated on the basis of 8.33% of actual normal ordinary time earnings, this excludes allowances and any overtime. This pay is calculated on a 40-hour work week or upon the actual normal hours worked on the date that the employee actually goes on leave, and is effectively a 13th cheque or a month's salary.

EXEMPTIONS PROCEDURE

A company that is unable to pay the leave enhancement pay, may, submit an application to its local Regional Council, for exemption from paying the leave enhancement pay. Any company that is unable to pay leave enhancement pay may make application to its local Regional Council not to pay leave enhancement pay. If the application is rejected then an appeal may be immediately lodged with the bargaining council's Independent Exemption Appeals Board which is an independent body established in terms of the Labour Relations Act.

There is an exemption application document which spells out the exemption application procedure is found in the Main Agreement handbook and can be obtained from SEIFSA.

It is important to note that an exemption application must be lodged with the bargaining council by no later than 31 October 2020.

A pro-forma exemption application questionnaire is contained in the exemption application document, and states:

A company wishing to apply for an exemption must complete a pro-forma exemption application questionnaire and return it with all the necessary documentation to the Bargaining Council by no later than 31 October.

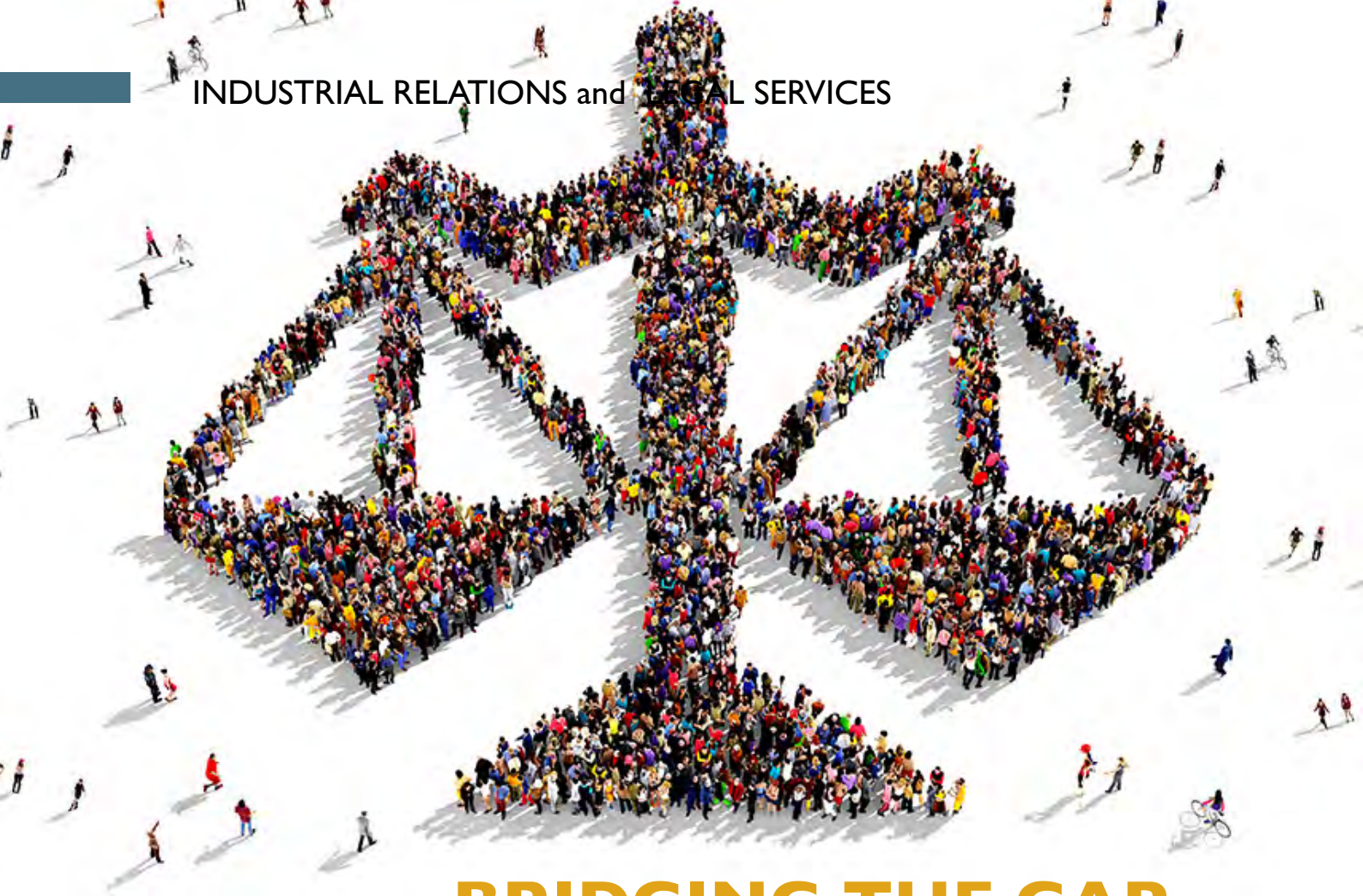
The exemption application needs to include the following documentation:

- A fully detailed motivation explaining the difficulties that the company is experiencing and hence the need for the application.
- Audited Financial Statement for the financial year ending 2019/ 2020. In the case of a closed corporation - a full set of Financial Statements which are to be signed by an Accounting Officer and the latest Management Accounts for the last three months. If the Financial Statements are older than six months, then the Management Accounts for the recent three months are required.
- Formal confirmation that employees were informed of the company's decision to make an application for exemption.
- Where employees reject the company's approach, they are to be informed of their right to submit written reasons for objecting to the exemption application and such reasons should be attached as an annexure to the company's application.
- The signature of at least two employees who accept being the representatives for the workforce and who will be affected by the application. Representatives of the workforce are to sign the form, contained in the exemption application questionnaire, consenting to this.
- The signatures of employees accepting that they have been informed of the implications of what the firm is proposing to the Council.
- Where the employees are trade union members, the company should inform the local trade union office of the intention to apply for an exemption and request, in writing, a meeting with the local official to discuss the impact of the exemption on the company and the members of the union.
- Where employees have elected a trade union representative or representatives (shop stewards) these persons should be requested to sign that they were consulted and that they understand the need for applying for the exemption. Where the local trade union official and/or shop stewards have been consulted and where they reject the application, such refusal must be recorded in the application and countersigned by at least two witnesses.
- Where the local trade union official and/or shop stewards and affected employees support the exemption application, this signed agreement should be included with the application.
- It is recommended that all meetings in this regard between management, employees, shop stewards and union officials be minuted and that the minutes of such meetings be submitted with the exemption application.
- The application itself is to be signed by either a Director of the firm, Member, Owner or a Senior AccountantThe savings in cost to company should the application for exemption be granted and the workings in arriving at this cost.

It is important to note that it is not a condition of the exemption that employees accept the proposed exemption. All that is required is that employees and their representatives are fully informed of the company's intention to apply for exemption and the consultation and their response is formally recorded and submitted with the application.

If granted, the employer is then obliged to become a compulsory contributor to the Bargaining Council's monthly contribution scheme.

The Bargaining Council is obliged to consider all applications for exemption irrespective of the basis on which they are founded.



BRIDGING THE GAP BETWEEN CULTURAL BELIEFS AND LABOUR LAW

By Vuyiswa Miya

September is recognised as Heritage Month in South Africa, with the country celebrating the different cultures that make up South African society.

"The CCMA commissioner found that there was a cultural chasm between the employer and employee. Had the employer understood the significance of her request, the employer would have regarded her condition as a disease and qualified her for sick leave

The workplace consists of people with diverse backgrounds and cultural beliefs. Our bill of rights recognises and protects the right to freedom of conscious, religion, thought, belief and opinion. In addition, the constitution protects the right to fair labour practices. In recent times our courts have been tasked with assisting the workplace recognise the importance of cultural beliefs, and how that may affect a workplace.

In the matter of Department of Correctional Services v Popcru, the court had to determine the fairness of the dismissal

of employees who had failed to adhere to the workplace dress code. The dismissed employees wore their hair in dreadlocks as they were in the process of training to become traditional healers. Upon completion of their training, the dreadlocks would be shaven off during a cleansing ceremony to signify their transition from initiates to recognised traditional healers. The court held that the employees' sincerely held beliefs were protected by the constitution, and the employer could not provide evidence to show how having dreadlocks would impact on the employees' ability to perform their work.

In a much-quoted case of Kievits Kroon Country Estate (Pty) Ltd v Mmoledi and Others, the courts had to determine whether a traditional healer's certificate should be considered as sufficient as a medical practitioner's certificate. In this case, the employee took five weeks' leave, even though she had only been authorised for one week's leave. In requesting her leave, the employee had produced a written note from her traditional healer. The written note stated that the employee had a "calling" and had to undergo training to become a traditional healer.

The Supreme Court of Appeal reiterated that the constitution protects cultural beliefs, and where an employee implicitly believed that if she did not attend the traditional healer's training, she would lose her life, the employer should have accepted the written note to have the same meaning as a medical certificate issued by a health practitioner from a recognised health council.

In South Africa, traditional healers play an important role in the health practices of many people. Courts have understood, that conventional medicine is understood according to objective standards, while cultural practice and intern the use of traditional medicines is concerned with the sincerity of the adherent's belief.

In recognising that workers adhere to different cultural systems, the Main Agreement sets out that medical certificates issued by traditional healers registered with the Traditional Health Practitioners Council of South Africa are acceptable for the purposes of paid sick leave.

South Africa has always been described as a melting pot of cultures and diversity, with this privilege comes the responsibility of respecting people's differences.

THE ROLE OF HVAC IN A PANDEMIC

It has become accepted that the wearing of masks, washing hands with soap and water regularly, sanitising and social distancing will remain crucial to preventing the spread of COVID-19 even as the number of infections continues to fall in South Africa.

But with the easing of lockdown restrictions, more and more people are returning to the workplace raising questions whether this will be enough but will this be enough – companies may decide to implement strict hygiene protocols, but they need to also consider the environmental conditions of the workplace, including HVAC systems.

What role does a company's HVAC system play if Coronavirus particles can, as has been argued by several scientists, travel distances greater than the stipulated social distance or linger in the air for several hours?

This, coupled with the debate over whether HVAC systems are snowballing infection rates needs to be settled with facts, says the South African Refrigeration and Air Conditioning Contractors Association (SARACCA).

CLEAN AIR IS KING

According to SARACCA, new research published in the journal Science of the Total Environment has found that long-term exposure to dirty masks may be "one of the most important contributors to fatality caused by the COVID-19 virus" around the world.

"Evidently, ensuring that the air we breathe is clean is an important factor in staying healthy," the association says.

"A properly designed ventilation system reduces indoor air pollution by providing fresh air and removing contaminants. This is a good time to consider improving air-quality in buildings by upgrading HVAC systems to suit the present situation."

One step technicians could take involves configuring ducted HVAC systems to increase the rate of exchange with fresh air from outside the building to reduce recirculation of possibly contaminated air, SARACCA says.

HVAC SYSTEMS PLAYING THEIR PART

SARACCA believes air conditioning and ventilation systems technicians could play a role in reducing the transmission of the virus in closed spaces by ensuring careful and comprehensive maintenance of the air handling units. "This would include cleaning of the filters and the cooling evaporator coils or replacement of filters that are old and no longer efficient. The increase of the fresh air introduced into the system and reducing the return air should be an option to be considered. The addition of an air exhaust may also be an essential upgrade."

HVAC systems which met our previous needs might not be sufficient for our present needs.

SARACCA says upgrading filters is also crucial to ensure HVAC systems do more good than bad, HEPA filters are capable of filtering droplets at >5µm and aerosols at <5µm. In most central systems 80% nominal efficient filters used which will handle the filtering the >5µm droplets. This means even if outside air may be infectious, the filters ensure only clean healthy air enters the room.

"Coronavirus has pushed us to introduce changes to our everyday life, we have had to adapt to new work and social patterns. How we operate our indoor space is one of the required changes, HVAC systems which met our previous needs might not be sufficient for our present needs. We are cornered to adapt to a new environment," the association says.

LOW LEVEL OF HEALTH AND SAFETY COMPLIANCE IN WORKPLACE 'SHOCKING'

Only 58% of businesses inspected since the lockdown to fight the spread of COVID-19 began are compliant with health and safety regulations, the Department of Employment and Labour has said.

According to the department, the department's Inspection and Enforcement Services (IES) unit conducted 6,870 workplace inspections and of those, only 3,787 were compliant.

Over that same period, the IES issued 621 prohibition notices, meaning those businesses cannot operate until the area of non-compliance has been rectified, the department said.

In the private sector, the wholesale and retail sector were the hardest hit, with 252 prohibition notices followed by the manufacturing sector with 54 and the hospitality industry with 35. In the public sector, the municipalities received highest number of prohibition notices at 34, followed by the departments of Correctional Services and Education, with 20 prohibitions. The police and the post office also received 20 prohibition notices each.

"The level of compliance is at a shocking rate of 58% in both the private and government sectors. What this means in reality is that out of every 100 workplaces inspected, 46 are non-compliant. Taking into account that we have an added complication of Covid-19 to take into consideration, this means that employers are not showing the necessary resolve to deal with workplace health and safety issues," Inspector-General Aggy Moiloa said.

The inspections come at a time when the number of claims to the Compensation Fund is rising, the Department said. To date, 7,612 claims have been received. Of that number, 4,821 have been submitted directly to the Compensation Fund while 2,555 have been submitted via Rand Mutual Assurance and 236 through Federated Employers.

A total of R561,530 have been paid for temporary total disablement, R51,477 as permanent disability lump sum and R664,667 paid out in medical aid costs.

With more people returning to the workplace following the easing of lockdown restrictions, the onus is increasingly being placed on businesses and the public at large to ensure that they maintain the strictest of hygiene protocols to prevent a second wave of infections, said SEIFSA Acting Executive for Marketing, Sales and Communication Nuraan Alli.

Ms Alli, who is also SEIFSA's COVID-19 Compliance Officer, said countries such as the UK and Australia had seen spikes in Coronavirus infections, with UK Prime Minister Boris Johnson pleading with the nation to change its behaviour to avoid another lockdown. "South Africans, too, cannot afford to relax their adherence to regulations put in place to fight the pandemic. The economy of the country was ravaged by six months of lockdown restrictions that saw businesses closing down, resulting in a significant number of job losses. With the economy described as being under life support, a second lockdown may prove terminal for South Africa," she said.

"It is imperative that workplaces remain vigilant and enforce the expected standards of safety, hygiene and the required Covid-19 protocols to ensure that workers are not unnecessarily exposed to danger. We appeal to all workers also to ensure that they take the necessary responsibility of operating in safe environments and they shield themselves and their families from danger," Compensation Fund Commissioner Vuyo Mafata said.

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