



SEIFSA

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

# 2017 ANNUAL REVIEW

COVER

Cover inspired by Metal  
Industries Building

**Editor**

Siseko Njobeni

**Creative Designer**

Zandile Ngubeni

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# CHAIRMAN'S REPORT

I will focus on a few issues relevant to the period under review and some challenges we, collectively, need to address in the year ahead.

I note that the activities of SEIFSA over the past year are detailed in the Chief Executive Officer's Report. Our metals and engineering sector is a reflection of the extremely disappointing performance of economic activity in South Africa. While GDP growth beat expectations for Q2 2017, it is far too early to anticipate that we are past the worst. We know that real steel consumption is a key indicator of positive economic activity and we recognise that a continuing GDP below 2.5% further drains and diminishes employment, capacity and resources in our industry.

Through its representation of over 20 active member Associations, SEIFSA continues to interact with all stakeholders influencing economic activity. We should anticipate that the year ahead will remain challenging for our industry, not least because of dysfunctional leadership, poor management and performance of State-owned entities, inadequate response to the scourge of corruption and imposition of policies impacting negatively on economic activity and medium- to long- term decision making required by industry.

SEIFSA's key focus will remain on facilitating the operation of strong, influential employer Associations which reflect the views of their respective memberships and the Federation will continue to manage and represent the various views, needs, interests and objectives of all participating employers in the industry at every relevant stakeholder entity and through every forum necessary to secure the requirements of our Associations and our industry.



**Michael Pimstein**  
President and Chairman

## BUSINESS AND ECONOMIC ENVIRONMENT

Regrettably, as we all know, the fortunes of the metals and engineering sector deteriorated during the financial year ended in June 2017.

There is understandable concern in a growing number of quarters that the country is de-industrialising. This concern is a direct consequence of the ongoing decline of manufacturing's contribution to South Africa's Gross Domestic Product (GDP) over the past few decades, as other sectors such as financial services and tourism grew at a much faster pace.

Our sector's share of manufacturing in the first quarter of 2017 was 29.17%, effectively contributing 3.5% to the GDP. A slightly stronger rebound in production is expected in the second quarter of 2017, given that the most recent available data recorded a marginal year-on-year improvement of 29.09%. On aggregate, the sector seems to have recovered from the contraction (-4.5%) recorded in the financial year end of June



2016, by slightly posting a moderate growth of 0.1% by the end of the full calendar year 2016, followed by a further expansion (0.5%) recorded in the first quarter of 2017. This highlights the resilience of the metals and engineering sub-component of manufacturing.

All indications are that the positive growth trajectory will be maintained even though growth in the sector currently seems to be laggard and laterally trending. Nevertheless, there are signs of a slight up-tick in business activities, judging by the performance of key relevant macro-economic indicators.

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Crucially, it is only the fourth time in SEIFSA's 74-year history that a three-year agreement has been concluded with the trade union parties and the first time, in the last 10 years, that this has been achieved without industrial action.

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SEIFSA's strategic role in influencing policy cannot be underestimated. The Federation's involvement with Business, Government, Institutions like the International Trade Administration Commission and Business Unity South Africa and Labour is geared towards improving the business and regulatory framework for the sector. The recent ferrous industry crisis has brought the importance of this fact into sharp focus.

**The main question is what should be done to bring the sector back to an even keel and possibly rekindle growth in production and employment?**

Certainly, part of the answer is that all stakeholders within the sector must find a way to work together. We cannot be at war with one another: different companies against one another, different Associations against one another, labour at war with business, and business at war with Government. We are all in this together. Without co-operation, business, big and small, cannot flourish and invest for the future and labour will not have a means to survive and prosper – with disastrous results for our country.

## INDUSTRY WAGE AND EMPLOYMENT NEGOTIATIONS SUCCESSFULLY CONCLUDED

Given the severe impact of the economic recession on the manufacturing sector and the associated difficult trading conditions facing most companies, member companies can take some comfort from the knowledge that there was no industrial action this year. This was of particular significance in view of the widespread industrial action and strikes experienced in many other sectors and the wage settlements agreed to.

SEIFSA signed an agreement with all the trade unions in our industries on 23 August 2017 on terms and conditions of employment for a three-year period ending 30 June 2020.

Although the final settlement agreement did not meet all the goals and objectives initially set by the employer parties, it contains the following direct benefits to the membership:

- The SEIFSA negotiating team secured a three-year wage deal, back-dated to 1 July 2017. This guarantees a secure industrial relations environment with certainty and stability for all member companies until 30 June 2020. Crucially, it is only the fourth time in SEIFSA's 74-year history that a three-year agreement has been concluded with the trade union parties and the first time, in the last 10 years, that this has been achieved without industrial action.
- The actual wage increases for next July and again in 2019 are clear and unambiguous – they are not dependent on further negotiations, and strike action on the increases is not possible. Member companies now know precisely what their employment costs will be for the coming three years, and have an opportunity to manage these appropriately.
- Again, notwithstanding considerable pressure brought to bear by Labour, SEIFSA succeeded in securing the current wording on clause 37 of the Main Agreement, coupled to a full and final settlement clause on wages and conditions of employment for the period of the agreement, ensuring that conditions of employment that are not amended by this agreement shall continue to apply. This wording is critical since clause 37 of the Main Agreement, read together with the full-and-final-settlement provision, provides protection for member companies against a compulsion to bargain at company level.

# CHAIRMAN'S REPORT

- SEIFSA and all the trade unions have committed to continuing discussions on crucial and urgent challenges facing the metals and engineering industries, such as the difficulties faced by small businesses, modernising the Main Agreement, deepening the discourse on the future format and structure of collective bargaining and reviewing the current exemptions policy to accommodate businesses in need.
- Finally, in view of recent Labour Court Judgements setting aside the applicability of the 2011-to-2014 and the 2014-to-2017 MEIBC Main Agreements, SEIFSA and all the trade unions have, as a fundamental element of the agreement, committed to taking immediate steps to prepare a New Consolidated Main Agreement for Gazettal and Extension to non-parties.

The Parties, working together with the Bargaining Council, are preparing the new Agreement and will be submitting it to the Department of Labour. The Minister of Labour will be requested to publish the Agreement and make it legally binding on all employers and scheduled employees in the industry.

## BUSINESS SUSTAINABILITY

Although we have every reason to be relieved that we did not face another round of industry strike action in 2016/ 2017, challenges of different kinds remain. At the top of our list is our country's lacklustre economic performance, followed by continuing significant imports of competitive products and skills and our manufacturing sector's apparent inability to be internationally competitive.

These challenges will continue to stare us in the face, and worsen, until such time that South Africa Incorporated – Government, business and labour – gets together to address them constructively, putting the country's interests above all else, and then implementing the solutions agreed to.

To this end, SEIFSA welcomes the signing of:

- The Declaration on Wage Inequality and Labour Market Stability;

- An Accord on Collective Bargaining and Industrial Action; and
- Agreement on the Introduction of a National Minimum Wage.

These ground-breaking developments agreed upon by business, labour, Government and community representatives will provide the foundation for a profound and much-needed shift in the tone of labour relations in South Africa.

As part of the package of agreements, the social partners at NEDLAC have agreed to a National Minimum Wage (NMW) and a suite of measures which will promote greater stability in labour relations. The parties have reaffirmed the right to fair labour practices and the important roles of the private sector and the State in creating the necessary conditions to drive productivity-led, inclusive growth and employment.

These Agreements recognise that employees should be paid a fair minimum wage for productive work, that strikes should be peaceful and functional, that all stakeholders have a leadership role to play in bringing stability to the labour market and that productive employment is essential for inclusive growth. It is hoped that these agreements will lay the foundation for putting South Africa on a more sustainable labour relations footing in addressing a key and important concern expressed by business: namely, labour market stability. Internally, we have to ensure that SEIFSA continues to be equal to the challenges that confront it, including on our approach to collective bargaining and the mandating process. The ongoing challenge facing the Federation is to demonstrate that it has the interests of all players, big and small, in the metals and engineering sector and that, as much as possible, it represents or speaks for all of them.

## TRANSFORMATION

The slow pace of transformation in the metals and engineering sector continues to be of concern. The manufacturing industry in general and the metals and engineering sector in particular are in need of transformation. This is the case not only when it comes to general business ownership, but also with regards to occupation of senior leadership positions.

The 16th Commission for Employment Equity Annual Report found that after 18 years since the enactment of the Employment Equity Act, the top and senior management positions in the workplace are largely still occupied by white people, mostly males.

The make-up of the manufacturing sector in terms of the national economically active population when it comes to population groups and gender is as follows: Africans constitute 77,4 percent (male 42,1 percent; female 35,3 percent), Coloureds constitute 10% (male 5,4 percent; female 4,6 percent), Indians make up 2,7% (male 1,7 percent; female 1,0 percent) and Whites make up 9,9% (5,6 percent; female 4,3 percent).

In terms of workforce profile at the top management in the manufacturing sector, whites constitute 73,5 percent for all genders, compared to Africans at 6,9 percent for all genders. Foreign nationals sit at five percent.

The disproportionate situation is the same in terms of recruitment, skills development and promotion, where whites still dominate in comparison with other population groups.

As a sector, we need to embrace change and advocate transformation. Not only is it in South Africa's interest for that to happen, but it is also fundamentally in business's own long-term interest. It is of critical importance that a concerted effort is made by the sector towards creating meaningful opportunities for all South Africans to play a crucial role in taking our industry to new heights.

Social studies have shown in different parts of the world that inclusive countries tend to be more cohesive than those which do not fully embrace and leverage the wealth offered by a country's diversity and transformation at the workplace will positively influence rising levels of racial polarisation.

## STATE OF THE NATION

It is now old news that we operate in an environment challenged by weak economic conditions and also, by a radical disregard for good governance throughout the governing hierarchy. Failure to respond to allegations of State capture and corruption, ineffective Boards and delinquent management, political (and other) appointees that disregard accountability, integrity and competence as non-negotiable elements of office, selective law enforcement, absence of a sound strategic plan to recover from junk status, inability and/or reluctance to eliminate wasteful expenditure by organs of the State, shocking audit revelations from the Auditor General, ill-considered regulatory impositions

and attacks on independent institutions such as the South African Reserve Bank would be alarming, if considered individually.

Together they indicate contempt for good and responsible governance.

It is time for business, labour, civil society, community bodies and politicians to claw back our country.

Standing against all the evils permeating our activities, together, would be a good start.

## APPRECIATION

There is no doubt that focused effort and planning is required to navigate SEIFSA and its member Associations through increasingly challenging circumstances, socio-economic difficulties, political and regulatory uncertainty and the weak business landscape. To achieve its objectives, SEIFSA requires well-informed, strong, respected leadership, a united and effective Board and Council and a presence and voice with all stakeholders.

I would like to express my thanks to the SEIFSA membership, which elected me President at the last Annual General Meeting. I appreciate the support and cooperation among all parties during my presidency. This has been an eventful year and there have been many outstanding contributions by individuals to the successful outcomes that SEIFSA has negotiated and influenced.

My sincere thanks to all the Council Members who joined various of our interventions and committees and gave so generously of their skills and their time. Also to my fellow Directors on the SEIFSA Board and to the SEIFSA Executives. Thank you. I am grateful to the entire SEIFSA team for its collective and individual energy, enthusiasm and passion for the Federation – even in the face of significant challenges. Your contribution, professionalism and dedication are greatly appreciated.

Finally, I wish the men and women who will be elected onto the Board at the AGM the very best of luck in the year ahead. As we proceed inexorably into the second year of our two-year term, fellow Directors and I look forward to working with them; together we stand ready to offer them any assistance that may be required of us.

**Michael Pimstein**  
*SEIFSA President and Chairman*

# CHIEF EXECUTIVE OFFICER'S REPORT

## SEIFSA BREAKS EVEN

In February 2014, the then SEIFSA Board approved a three-year (2014-2017) strategy to turn the Federation around financially. The initial plan entailed extending SEIFSA's suite of products and services beyond the narrow confines of the Federation's members and of the metals and engineering sector.

Over the past three years the plan was tweaked along the way, but the end goal remained the same: digging SEIFSA out of the deficit situation in which it had found itself since the 2011/12 financial year and ensuring that it broke even and got ready to start building reserves again. As one reported in this space last year, the terrible state of our economy – and, within it, that of the metals and engineering sector – in 2015/16 meant that tough decisions had to be taken to contain costs.

Those steps included restructuring, which saw SEIFSA letting go of some employees and not filling some crucial vacancies. Those interventions saw the Federation coming very close to finishing 2015/16 on budget and left one emboldened to write in this space a year ago: "For the first time since 2011, SEIFSA is poised to break even in the 2016/17 financial year."

It is a great pleasure to be able to report in this Annual Review that, consistent with the 2014-2017 strategy and the forecast made last year, SEIFSA broke even – and generated some surplus – in 2016/17. This was the very first time since 2011 that the Federation had generated a surplus.

This accomplishment was achieved despite the resignation, half way into the year, of the South African Engineers and Founders Association (SAEFA), which



**Kaizer Nyatumba**  
Chief Executive Officer

was until then the single largest member Association. This move saw SEIFSA's revenue negatively affected by a minimum of R1,2 million. Yet, notwithstanding that disappointing development which could not be foreseen at the beginning of the financial year, SEIFSA still achieved its break-even target. Our cost-containment measures during the year under review again made a big difference.

Details of our financial performance in 2016/17 are provided in Chief Financial Officer Rajendra Rajcoomar's Report in this publication.

Perhaps more importantly, we were successful in our efforts to get as many of the companies that were members of the break-away SAEFA to switch their memberships to other SEIFSA-affiliated Associations. At the time of writing, more than 42% of the companies – employing more than 75% of the total number of employees – had resigned from SAEFA to join



Associations that continue to be members of SEIFSA. This demonstrates concretely both the strength of the SEIFSA brand and the value to companies of membership of or association with SEIFSA.

## MEIBC SERIOUSLY THREATENED

During the year under review, the Metals and Engineering Industries Bargaining Council (MEIBC) came under severe pressure for a host of reasons, among them its financial instability. The institution found itself unable to honour its financial obligations because its Administration and Dispute Levies, which are its primary sources of revenue, were last adjusted in 2011 and remained at those levels for five years, at a time when the Bargaining Council's own costs increased each year.

There was even a time, in the course of the year, when the situation got so dire that some parties called for the Bargaining Council to be liquidated or, at best, placed under administration. Acting on a mandate from its

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member Associations, SEIFSA played an important role in rallying stakeholders like labour and other employers' organisations to support the formation of an Oversight Committee (OC), made up of an equal number of employer and labour representatives, to assume responsibility for the daily functioning of the Council, alongside the General Secretary.

We are grateful to our member Associations that made people available to serve on the OC, which produced

a budget and facilitated the signing of some important agreements by all parties. When some parties tried – and failed – to take advantage of the Bargaining Council's difficulties by opportunistically insisting on an amendment to the institution's constitution that would require a 75% majority within the employers caucus for any matter to be approved by the MEIBC's Management Committee, the Department of Labour stepped in to assist in the search for a solution. That, too, did not make much of a difference.

Eventually, Solidarity launched an urgent application to the Labour Court for an Administrator to be appointed. The proposal made to the Labour Court by Solidarity was similar to that which had been made by the Department of Labour to the parties, and it was made an order of the court. Following an agreement by all the parties on the MEIBC, CCMA Senior Commissioner Afzul Soobedaar was appointed Administrator to the MEIBC. He moved swiftly to finalise the Dispute Levy Agreement that was duly approved by all the parties. A budget has also been presented to all the Parties, together with an accompanying Administration and Expenses Levy Agreement that is in the process of being finalised.

Thus it was that the 2017 wage negotiations could take place within the MEIBC.

With much of the focus in the year under review being on the welfare and the future of the MEIBC, it was not possible for discussions on the possibility of sectoral collective bargaining to take place. Although there is a broad agreement among the employer parties on the need for sector-specific collective bargaining in future, this has yet to be discussed much more broadly and directly with the trade unions.

However, some of our sector-specific member Associations, assisted by SEIFSA, managed to have direct engagements with the National Union of Metalworkers of South Africa (NUMSA) on this matter and to find some common ground. The lift engineering sub-sector, which negotiates annually with labour in that sub-sector, continues to provide an encouraging example of what is possible in future.

Regrettably, the MEIBC's financial challenges have again meant that it was not possible for meetings of the Industrial Policy Forum to be convened to discuss matters that were put aside for serious, non-confrontational engagement after the 2014 wage negotiations.

# CHIEF EXECUTIVE OFFICER'S REPORT

## 2017 WAGE NEGOTIATIONS

Owing to the aforementioned challenges that confronted the MEIBC in the year under review, the 2017 round of wage negotiations started later than usual. It was not until June that negotiations started, when in 2014 they began in March. As a result, the negotiations were not concluded until into the new financial year: the 2017-2020 Settlement Agreement was signed on 23 August 2017.

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In our view, there are no winners and losers in this settlement. The only winner is the metals and engineering sector and, in the process, the South African economy.

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Yet again, we were able to conclude a three-year agreement, which will see much-needed stability reigning in a crucial sector of the economy which has been bleeding jobs in the past few years. We agreed on increases of 7% in the current year, 6,75% in the second year and 6,5% in the third year. That means that, over the next three years, we – employers and labour as partners – can turn our attention to important matters that need to be done to arrest the sector's decline and turn it

around. It means that we can engage in important, non-adversarial discussions about how to improve competitiveness and productivity in the sector, how to advance transformation, and how to stabilize the sector and create new jobs. It means that we can work together, as partners, to lobby the Government on policies that we believe would advance the interests of manufacturing in general and the metals and engineering sector, in particular.

This is the first such settlement agreement reached in the sector in a decade without the unions first embarking on industrial action. There was a week-long strike in the sector in 2007, a two-week strike in 2011 and a month-long strike in 2014. That means that, working as partners, SEIFSA and labour managed to break the cycle of strikes whose duration doubled after each round of negotiations.

By all accounts, this is a major achievement by all concerned. In our view, this shows that both sides approached the 2017 wage negotiations with a higher-than-usual level of maturity and realism. It shows that they were acutely aware of the poor state of our economy and the parlous state of the metals and engineering sector. It shows that they reached out to each other and fully accepted each other as indispensable partners, and not enemies.

Reaching this agreement was not easy, and neither we nor labour are fully happy with the settlement reached, but we can live with it. There were differences aplenty during the negotiations process, but over time we were able to narrow these and to find each other. As is typical of all negotiations, both sides have had to give and to take.

In our view, there are no winners and losers in this settlement. The only winner is the metals and engineering sector and, in the process, the South African economy.

However, just as Nelson Mandela and FW De Klerk had to contend with the Azanian People's Organisation (AZAPO) and the Pan-Africanist Congress (PAC) on the left and the Conservative Party (CP) and the Afrikaner Weerstandsbeweging (AWB) on the right, so, too, did SEIFSA and the five trade unions have to deal with their own detractors who excel at shouting slogans but fare terribly when it comes to advancing workable, contemporary solutions. They seem to proceed from the basis that solutions can be imposed on stakeholders, and not negotiated with those stakeholders. They appear to be intent on using pre-1994 methods to solve complex, 2017 challenges.

As a result, we have had to contend with the vituperative insults of NEASA and its fellow travellers on the right, who are intent on precipitating a crisis in the sector by seeking to reverse whatever gains have been made in improving relations between employers and labour. Just as the AWB considered the ANC a sworn enemy, so, too, does NEASA and its fellow travellers consider – and routinely describe – labour (but especially NUMSA) as enemies. NEASA CEO Gerhard Papenfus routinely has a go at SEIFSA, accusing the Federation of weaknesses just because it has a different worldview from his and sees labour – including NUMSA – as a strategic partner.

NEASA has steadfastly held the view that NUMSA is an enemy and the Government in totality is useless. We view both labour in general and the Government as important stakeholders with whom we need to work cooperatively to advance the interests of our economy in particular and our sector in general.

We have our own differences with these partners, and we never shy away from expressing them forthrightly and yet constructively. Often we do so in direct engagements with these stakeholders, when we can understand their concerns and can get them to understand ours, and not from public platforms like the media.

We remain ready to work constructively and cooperatively with all stakeholders, as we have always done, whether they be fellow employers' organisations or labour unions. We believe that that is the kind of maturity that is required of all of us, as employers, labour and Government, if South Africa is to realize its true potential.

## MY THANKS

Once again, the team at SEIFSA is richly deserving of my gratitude and appreciation. It is thanks to all members of staff that SEIFSA managed to break even in FY2016/17. To each one of my colleagues, I say: thank you ever so much. There is no SEIFSA without you.

I am also grateful to all SEIFSA member Associations for their continued support for and loyalty to the Federation. They are the lifeblood of SEIFSA and my colleagues and I appreciate each one of them. With all of us working as a team and pulling in the same direction, SEIFSA can only be even stronger and its voice more influential.

Finally, my thanks and appreciation go to SEIFSA President Michael Pimstein for his unstinting support and inspirational leadership, and to the Board of Directors for its support and stewardship of the Federation. My colleagues and I are deeply indebted to all of you.

**Kaizer Nyatsumba**

*Chief Executive Officer*



# CHIEF FINANCIAL OFFICER'S REPORT

## OVERVIEW OF OPERATIONS

The Federation's primary focus during the year continued to be on collective bargaining, lobbying and advocacy, whilst simultaneously having a secondary focus on generating revenue from consultancy, training and the sale of publications such as the SEIFSA Price and Index Pages. The primary source of revenue was generated from fees levied to Associations, with the other revenue streams being generated from the sale of products, services and publications offered by the following Divisions:

- Industrial Relations and Legal Services;
- Human Capital and Skills Development;
- Economics and Commercial; and
- Safety, Health, Environment and Quality.

SEIFSA has also continued to offer accounting, administration and management services to 19 of its affiliated Associations and the SEIFSA Training Centre continued to focus on developing high- calibre artisans to meet the needs of employers and address the skills shortage in artisan development that faces the country.

The economic climate did not improve much from the previous year and continues to be a challenging one, with insignificant growth recorded for the year under review. The majority of the Federation's customers are from the metals and engineering sector, which is taking a lot of strain due to the adverse economic climate. Notwithstanding this fact, the Federation managed to promote and market the uptake of its service and product offerings. The unstable political environment



**Rajendra Rajcoomar**  
Chief Financial Officer

continues to plague the country and, as a result, capital injection needed by the industry to develop its plant and technology has been insignificant to promote the creation of jobs. This unfortunate position has also impacted negatively on the number of persons attending training and development initiatives undertaken by the Federation.

As readers will recall, the Collective Bargaining Levy agreement lapsed in December 2012 and the Federation has made significant strides in making up for this lost revenue by offering products and services which add value to its membership and other customers. Continuous attention was placed on the turnaround strategy to ensure that the Federation breaks even in the year under review. In spite of the de-federation of its largest Association, the South African Engineers and Founders Association (SAEFA), with effect from

1 January 2017, the Federation took effective steps to ensure that the break-even budget for the year was met. Cost optimisation without compromising service delivery continued to be implemented during the year and the Federation operated at full operational capacity for a greater part of the year.

## OVERVIEW OF FINANCIAL RESULTS

The year under review started on a positive note, with the first seven months of the year being ahead of the budget. After the notification by SAEFA on 1 December 2016 of its intention to de-federate, Management took decisive action to ensure that this situation did not adversely impact the Federation from achieving the break-even budget for the year. With the excellent performance during the first seven months, the positive variance (surplus) generated assisted in offsetting the lost membership income that would have been earned from SAEFA.

Income generated from membership fees has decreased by 20.2% from FY2015/16 due mainly to the de-federation of SAEFA, and income generated by the SEIFSA Training Centre decreased by 13.2% when compared to FY2015/16. The SEIFSA Training Centre experienced an unusually low uptake of apprentices in the last quarter of 2016, which negatively impacted on the year's profit share. The revenue generated from the sale of products and services increased by 8.1% when compared to FY2015/16. Discounting an inflation rate of 6%, effective growth in the sale of products and services is 2%, which is marginally better than the GDP growth for the year.

For a second consecutive year, total expenses decreased year on year. Total expenses for the current year decreased by 19.0% when compared to FY2015/16 and, the previous year, FY 2015/16 recorded a 23.3% improvement over FY2014/15. These decreases are due to the continuous cost optimisation initiatives undertaken.

The year closed with a surplus, for the first time in five years, ahead of the break-even budget.

The surplus generated has assisted in marginally improving the Reserves, but the balance sheet still remains under pressure, with a closing current ratio of 1.16 (FY2015/16: 1.10).

## INTERNAL CONTROL

SEIFSA's system of internal control is designed to provide reasonable assurance that, inter alia, assets are safeguarded and that liabilities and working capital are managed efficiently.

### RISK STRATEGY

SEIFSA has a risk management strategy in place and actively monitors and takes appropriate action against the risks identified and captured in the Risk Register.

## FRAUD AND CORRUPTION

SEIFSA has committed itself to actively combatting fraud and all other acts of dishonesty on a zero-tolerance basis.

## DISCONTINUED ACTIVITIES/ ACTIVITIES TO BE DISCONTINUED

SEIFSA has no discontinued activities or activities to be discontinued in the next 12 months.

## NEW OR PROPOSED ACTIVITIES

SEIFSA has no new or proposed activities for the next 12 months.

## GIFTS AND DONATIONS RECEIVED IN KIND FROM NON-RELATED PARTIES

No gifts and donations were received in kind from non-related parties. Employees receiving gifts are obliged to complete the Gift Register which is tabled at the Executive Committee meeting every quarter.

## EVENTS AFTER REPORTING DATE

No events took place after the reporting date that would materially impact on the financial position/performance of SEIFSA.



# CHIEF FINANCIAL OFFICER'S REPORT

## FUTURE PLANS

SEIFSA will continue to deliver on its primary mandate and focus, which is undertaking collective bargaining, lobby and advocacy. In order to achieve these goals at a minimal cost to its membership, the Federation will simultaneously generate revenue from the rendering of services that are paramount to its members' and customers' businesses and deliver products that will add value to all its customers. Financial performance will be closely monitored to ensure that the Federation remains financially viable. Where action is required to rectify performance, immediate corrective action will be implemented.

The year ahead remains a challenging one, with the sector facing a tough economic environment. The current political climate/uncertainty makes investments in the country more and more difficult, hence much-needed capital investments to improve productivity and competitiveness are forever delayed. We remain hopeful that the economy and political climate will improve in the future. Accordingly, the Federation will need to continuously strive for impeccable service delivery at optimal cost.

### KEY FINANCIAL RATIOS

Revenue: Membership	↓ 20.2%
SEIFSA Training Centre Profit	↓ 13.2%
Revenue: Products & Services	↑ 8.1%
Expenses	↓ 19.0%
Surplus	↑ 100%

**Rajendra Rajcoomar**  
Chief Financial Officer



# METAL INDUSTRIES BENEFIT FUND ADMINISTRATORS REPORT

## BACKGROUND

**R**etirement Funds in South Africa are governed by the Pension Funds Act No. 24 of 1956 (as amended), that came into operation on 1 January 1958. Since then, all retirement Funds (Pension, Provident and Retirement Annuity Funds) must be registered in terms of this Act.

The main aims of the Pension Funds Act are to:

- Register and regulate all entities operating as Retirement Funds;
- Protect the rights of members;
- Maintain minimum solvency standards to ensure that employers do not renege on their commitments to employees and leave them destitute in their old age;
- Ensure that the Funds, as separate legal entities, have balanced ownership and accountability of the participating parties; and
- Dissolve Funds that are financially unsound or wilfully violate the Act.

In terms of the Pension Funds Act, members have the right to elect 50% of the Board Members. A Trustee acts in a fiduciary capacity and should be familiar with and understand the laws governing retirement funds.

The Board of Trustees has appointed as its agent the Metal Industries Benefit Fund Administrators (MIBFA) to administer the funds of Employers and Employees in the metals and engineering industries. The Board is nevertheless accountable and ultimately responsible to the Registrar and the Financial Services Board. MIBFA provides administration services for the following Funds:

- Engineering Industries Pension Fund;
- Metal Industries Provident Fund;
- Metal and Engineering Industries Permanent Disability Scheme; and
- Metal and Engineering Industries Bargaining Sick Pay Fund.

## A BRIEF HISTORY OF THE FUNDS THAT ARE ADMINISTERED BY MIBFA

### Engineering Industries Pension Fund

The Engineering Industries Pension Fund, being the continuation of the Metal Industries Group Life and Provident Fund with which the Metal Industries Group Pension Fund was merged with effect from 1 January 1995, was first established in 1957.

Until 31 March 2012, the Engineering Industries Pension Fund was a Defined Benefit Fund. This means that the benefits that were payable in terms of the Rules were guaranteed and fixed in nature. The Fund bore the risk and benefits payable on retirement had to be paid as a monthly income and were payable to the member for the rest of his or her life.

The Board of Trustees agreed to convert the active member section of the Fund to a Defined Contribution Fund from 1 April 2012.

This was done in order to guarantee the long-term financial sustainability of the Fund.



In a Defined Contribution Fund, member benefits are based on the members' own contributions to the Fund, plus the employer's contributions, plus interest earned from investing these contributions.

### The Metal Industries Provident Fund

The Metal Industries Provident Fund, a Defined Contribution Fund, was established on 1 May 1991. In this Fund, only the contributions are defined and benefits that are payable in terms of the Rules are payable as a lump sum. There is no monthly income on retirement. The member, therefore, carries the risk and is responsible for ensuring that s/he invests the lump sum wisely.

On starting employment, workers can thus choose to belong to either the Engineering Industries Pension Fund or the Metal Industries Provident Fund.

### The Metal and Engineering Industries Permanent Disability Scheme

The Permanent Disability Scheme was established in 1994 in order to provide a monthly income to members who become permanently disabled and unfit to carry out any occupation in the metal industries.

On joining either the Engineering Industries Pension Fund or the Metal Industries Provident Fund, members automatically assume membership of the Permanent Disability Scheme.

### Metal and Engineering Industries Bargaining Sick Pay Fund

The Sick Pay Fund, a Benefit Fund governed by the Friendly Societies Act, was established in 1978.

These benefits are temporary in nature and are geared to assist employees in times when they have exhausted their sick leave and have no means of income while they are absent from work due to illness or confinement. The benefit also includes payment to employees who are on maternity leave for a period up to six months.

## REPRESENTATION ON THE BOARD OF TRUSTEES

The Associations affiliated to SEIFSA have elected representatives from Industry, together with employees of SEIFSA, to serve as Trustees on the Boards of Trustees of the Pension and Provident Funds. The Board of Trustees comprises an equal split of representation from both Employers and Labour, who meet at least four times per annum. Based on the level

of knowledge and expertise that the Trustees have, they also serve on various sub-committees of the Board of Trustees, namely:

- Governance Committee;
- Investment Committee;
- Actuarial and Benefits Committee (sub-committee of the Investment Committee); and
- Collaboration Forum.

The number of meetings held by the various sub-committees will vary, depending on the tasks at hand, and will normally precede a meeting of the Board of Trustees.

The Board of Trustees has adopted an Investment Policy Statement and has strict Governance measures in place.

## INVESTMENTS

The combined value of the Pension and Provident Funds is in excess of R110 billion, making it one of the largest privately-managed funds in the country. The performance of the Fund Managers is closely monitored and corrective action implemented immediately, where necessary, and all investments are made in accordance with the Investment Policy Statement. During the year, the following tactical asset allocation was implemented:

Asset class	MIPF and EIPF in-service members	EIPF pensioners
SA equities	48.0%	25.0%
SA listed property	2.5%	2.5%
SA bonds	16.5%	44.5%
SA cash	2.5%	2.5%
Global equities	20.5%	15.5%
Global listed property	2.5%	2.5%
Africa equity	1.0%	1.0%
Africa unlisted property	0.5%	0.5%
SRI equity	2.5%	2.5%
SRI bonds	2.5%	2.5%
Private equity	1.0%	1.0%

The financial markets both locally and globally have performed poorly during the past few years, with an improvement being noted last year. However, the returns generated by the Funds have managed

# METAL INDUSTRIES BENEFIT FUND ADMINISTRATORS REPORT

to exceed inflation. When the fund returns are benchmarked against similar assets managers, the MIBFA returns have outperformed those with the lowest asset management expenses of approximately 30 basis points being paid. Approximately 35% of the total assets are managed by the MIBFA Internal Managers.

Surplus apportionments have exceeded R23bn (R20bn prior year) to date, with 7.1% being added monthly for the employees' benefit from the Contribution Increase Programme Reserve Account (CIPRA), with no cost to the employer or employee.

In addition to the members' investment (contributions by members and employers, plus investment returns), an exit bonus of 13%-15% (varies with the actuarial valuations) becomes payable to a member when the member exits the Fund.

During the year, innovative products such as the Funds Living Annuity and the Industry Fund (Job Creation Fund) were being pursued for implementation.

## SECTION 13 OF THE PENSION FUNDS ACT

Non-compliance with Section 13A of the Pension Funds Act 24 of 1956 (the "Act") which deals with payment of contributions to the Fund is now a criminal offence in terms of the new sections [13(8) and (9)] that have been added to the Pension Funds Act with effect from 28 February 2014. If convicted, a fine of up to R10 million and/or imprisonment of up to 10 years may be imposed on the responsible party.

In addition to criminalising the non-payment of contributions, the person at the employer responsible for not paying the contributions over to the Fund is

also held personally liable for the non-compliance. Every Director of a Company or every Member of a Close Corporation, who is regularly involved in the management of the Company's or Close Corporation's overall financial affairs, or all the persons comprising the governing body of the employer, as the case may be, are personally liable for compliance with this Section of the Act. In terms of Section 13A (9) (a) of the Act, the Fund is compelled to request all participating employers to identify a "Responsible Person" that will be personally liable in the event of non-compliance with Section 13A.

During the year, MIBFA allocated part of its enforcement of arrear collection budget to the Metal Engineering Industries Bargaining Council (MEIBC) to roll out the new provisions of Section 13. This was a positive action that has yielded more than R299m (prior year R160m) in acknowledgment of debts (AOD) being secured by the Attorney. Payments totalling R182m of the signed AODs were been received, which equates to a 60.1% collection success rate.

## STAKEHOLDER RELATIONSHIPS

MIBFA has set up a call centre to assist members with queries. In addition, SEIFSA continues to engage and provide feedback to all its member Associations and to the members of the affiliated Associations on MIBFA's various activities. When requested to do so, SEIFSA regularly engages with MIBFA to address and satisfactorily resolve various funds-related matters.

**Rajendra Rajcoomar**  
*Chief Financial Officer*





# ADMINISTRATION SERVICES REPORT

## ASSOCIATIONS

On 31 November 2016, the South African Engineers' and Founders' Association (SAEFA) took a decision to de-federate from SEIFSA. Despite numerous efforts by the SEIFSA Executive Team and the SEIFSA Board to resolve differences with the Association, in the end, the SAEFA de-federated.

On the 1 December 2016 SEIFSA launched a campaign to retain as many of the SAEFA members as possible, by encouraging individual companies, to consider joining other Associations federated to SEIFSA. A Task Team was established and every SAEFA member company was contacted and in many instances follow-up meetings were arranged with key members of the SEIFSA Executive. To date this campaign has proven to be very successful and will continue into the new financial year.

Following on the back of the SAEFA de-federation, another Association, namely the South African Fasteners Manufacturers' Association (SAFMA) gave SEIFSA notice of its intention to de-federate at the end of June 2017 and merge its membership to the SAEFA.

## ADMINISTRATION AND FINANCIAL SERVICES

### Secretarial and Accounting Services

In addition to the industry services offered by SEIFSA, the Federation also provides a secretarial and

accounting service to some of the constituent employer associations. These include the following specific services:

- Accounting;
- Administrative and Secretarial;
- Communication and Liaison;
- Compliance; and
- Marketing (which includes retention and recruitment).

## SEIFSA AWARDS FOR EXCELLENCE

On 26 May 2017, SEIFSA announced the winners of its Third Annual Awards for Excellence. One of the categories is the Chief Executive Officer's (CEO's) Award, which comprises a category for the Association of the Year Award.

The CEO's Award for the Association of the Year is presented to an Association that has shown growth, has actively participated in the various SEIFSA forums and structures and has actively promoted the interests of its members.

The Electrical Engineering and Allied Industries Association (EEAIA) won this prestigious award. It has been a member of SEIFSA since 1936 and continues to participate actively within the various forums both in SEIFSA and within its sector.



In keeping with SEIFSA's loyalty programme, the Federation has the following membership recognition structure:

- **Platinum member companies**  
70+ years
- **Gold member companies**  
50 - 69 years
- **Silver member companies**  
25 - 40 years
- **Bronze member companies**  
10 - 24 years
- **Standard member companies**  
1 - 9 years

For the 2016/2017 financial year, the number of companies in the above loyalty structure were as follows:

•	Platinum member companies	2
•	Gold member companies	41
•	Silver member companies	232
•	Bronze member companies	495
•	Standard member companies	415

2



41



232



495



415



# MARKETING REPORT

SEIFSA is the official representative of the metals and engineering industries. From a brand management perspective, continued provision of excellent industry platforms such as the SEIFSA Awards for Excellence, the Southern African Metals and Engineering Indaba, the SEIFSA Golf Day, the annual SEIFSA Presidential Breakfast augments this positioning and contributes to growing brand equity.

With regard to our Divisional workshops and professional consultancy, an approach to market the same to targets external from the steel and engineering industry is in line with achieving organisational growth targets. An approach to sponsorships and advertising revenue that speaks to building relationships with strategic stakeholders both within the industry and externally ensures the future and financial success of the valuable platforms which the Federation provides.

## INBOUND MARKETING

The Marketing Department has implemented a digital marketing strategy which is focused on attracting customers through content and interactions that are relevant and helpful, but not interruptive.

Inbound marketing has proved to be the most effective marketing method for doing business online. Through inbound marketing, SEIFSA has managed to create quality content which is aligned with our members' needs. By aligning the content we publish with our clients' interests, we are able to attract qualified prospects and build trust and credibility with our members.

## SEIFSA AWARDS FOR EXCELLENCE

Almost 100 guests representing small and large companies in the metals and engineering sector attended the 3rd annual SEIFSA Awards for Excellence ceremony in Sandton on 25 May 2017, during which companies which had excelled in 2016 were honoured. Hosted in partnership with the Industrial Development Corporation, the gala function was held on its own for the first time, and not as part of the annual Southern African Metals and Engineering Indaba. South African Nuclear Energy Corporation Chairman Dr Kelvin Kemm was the guest speaker.

Family-owned Hazelton Pumps won the Most Innovative Award and the Best Customer Service of the Year Award – as it did in 2015.

Vesco Plastics, which employs fewer than 50 people, won the Artisan of the Year Award; ABB South Africa won the Corporate Social Responsibility of the Year Award and SGB Cape won the Health and Safety Award of the Year.

Weir Minerals, which has embraced the challenges of the amended BB-BEE Code and for whose agenda skills development has become the cornerstone, won the Most Transformed Company of the Year Award.

Among the panel of judges this year were Dr Thuthula Balfour-Kaipa of the Chamber of Mines of South Africa, Mr Chule Qalase of the Council for Scientific



and Industrial Research, Professor Hoosen Rasool of FR Research, Ms Beverly-Ann Jack of Adcorp Holdings Ltd, Mr Werner Guse of Gijima and Ms Adrienne Bird of the Department of Higher Education.

Former SEIFSA Board member Mr Neil Penson received the coveted CEO's Award for outstanding service to the Federation and the industry, Mr Tsakane Themba received the CEO's Award for having been the best student at the SEIFSA Training Centre in 2016, HC Heat Exchangers for being Company of the Year and the Electrical Engineering and Allied Industries Association for being an Association of the Year.

## GOLF DAY

The 66th SEIFSA Golf Day was held on 26 August 2016 at the Reading Country Club in Alberton. For the second year in a row, the SEIFSA Golf Day was over-subscribed: 156 golfers making up 39 four-ball teams participated in the event. This is an annual industry Golf Day that brings together companies in the metals and engineering sector and some of their customers and suppliers for networking, team building and fun. This is a day that makes it possible for people from different companies to build or strengthen relations with counterparts from other companies.

The Master of Ceremonies, Michael Scholz, participated in the SEIFSA team and also entertained the guests and players at dinner. The competition was a four-ball alliance with two scores to count. The winning team was Sachwarr Construction, with a score of 96. SEIFSA is grateful to all the companies that sponsored holes and prizes for the SEIFSA Golf Day.

## PRESIDENTIAL BREAKFAST AND ANNUAL GENERAL MEETING

Industry veteran Michael Pimstein was elected President of the Steel and Engineering Industries Federation of Southern Africa (SEIFSA) at the organisation's Annual General Meeting (AGM) held on 14 October 2016 at the Sunnyside Park Hotel, Parktown.

A Joint Chief Executive Officer of Capital Appreciation Limited and former CEO of Macsteel Service Centres SA, Mr Pimstein assumed the presidency of the

Federation and the Chairmanship of its Board in a crucial year that saw wage negotiations taking place in the metals and engineering sector.

Mr Pimstein, who has previously served as SEIFSA President in 2006/7, replaced Transman Founder and CEO Angela Dick, who made history in 2015 when she was elected SEIFSA's first woman President.

The University of the Witwatersrand's Professor Susan Booysen was the guest speaker at SEIFSA's Annual Presidential Breakfast, where she delivered an insightful address on the state of South African politics.

## Nuraan Ali

*Sales Manager and Acting Marketing Manager*





# COMMUNICATIONS REPORT

The strategic objective of SEIFSA's Communications Department is positioning the organisation as the primary representative and voice of business in the metals and engineering industries and overall manufacturing, both large and small.

In terms of publicity in the period under review, the Federation's Advertising Value Equivalent (AVE) for 1 July 2016 - 30 June 2017 R15 695 709, down from the previous year's R38 189 440.

The Communications Department is also responsible for developing, implementing, monitoring and maintaining effective channels of communication between SEIFSA and its member companies. This valued communication is conducted on a weekly basis, keeping members abreast of any developments impacting them and the industry in general.

## ELECTRONIC COMMUNICATION

### Electronic Newsletters

SEIFSA distributed regular electronic newsletters to member companies during the course of the year. These covered up-to-date information on breaking news, latest industry developments and upcoming events and workshops.

### SEIFSA News

SEIFSA News, is the Federation's official publication and a member benefit. This publication affords

member companies easy access to the latest industry news and practical advice. It is available online at [www.seifsa.co.za](http://www.seifsa.co.za).

“

The Communications Department is also responsible for developing, implementing, monitoring and maintaining effective channels of communication between SEIFSA and its member companies.

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### Website

SEIFSA's website performs an important communication function for the membership. Many industry relevant articles, updating members on the latest developments and news in the industry, have been posted on SEIFSA's website, and covered a wide range of topics. The website is an important source of information for our members and the general public. Content uploaded on the website included:

- The wage increase and exemption arrangements

- Employment equity requirements
- Important announcements
- Press releases

During the course of the year, work commenced to develop and launch SEIFSA, Price and Index Pages (PIPS) and Metals and Southern African Metals and Engineering websites. The Communications Department reviewed and approved the content for the new websites.

The new websites have numerous features and advantages. These include:

- Improved user experience with higher conversion rate
- E-commerce functionality
- User tracking and
- A ticketing system

## 2ND SOUTHERN AFRICAN METALS AND ENGINEERING INDABA

The Second Metals and Engineering Indaba was held from 26 – 27 May 2016 at the Industrial Development Corporation (IDC) Conference Centre and featured an exciting list of local and international speakers. The speakers included former President of the Republic of South Africa Kgalema Motlanthe, former Finance Minister Pravin Gordhan and Minister of Small Business Development Lindiwe Zulu. The Communications Department provided support prior, during and after the conference. As a result, the Indaba garnered considerable publicity.

*Siseko Njobeni*  
Communications Manager





# INDUSTRIAL RELATIONS AND LEGAL SERVICES DIVISION

**T**he Federation continues to provide a comprehensive and professional range of services to member companies. These include:

## CONCILIATION, ARBITRATION AND LEGAL REPRESENTATION SERVICE

The Industrial Relations and Legal Services Division continues to provide a professional and cost-effective service to member companies throughout the industry.

The services include evaluating and preparing management's case prior to conciliation, arbitration and/or the Labour Court, interviewing and preparing witnesses, presenting management's case, cross-examining witnesses and preparing the opening and closing statements for presentation at the CCMA, Centre for Dispute Resolution and Labour Court appearances.

In the year under review, the Industrial Relations and Legal Services Division successfully represented member companies in conciliations and arbitrations in the MEIBC as well as the Labour Court in review applications to set aside arbitration awards issued by the MEIBC. It is also worth noting that one of the successful review applications launched on behalf of a member company in the Cape Town Labour Court was also a reported Labour Court decision.

## INDUSTRY JOB GRADING

SEIFSA, through the Industrial Relations and Legal Services Division, offers a Main Agreement job

grading service which provides valuable assistance to member companies in relation to industry job grading in accordance with the Main Agreement provisions. This service has enjoyed very favourable reviews from member companies who have subscribed to it.

## CHAIRING DISCIPLINARY ENQUIRIES

The Federation continues to provide qualified and experienced persons to chair, manage and conduct in-company disciplinary enquiries and disciplinary appeal proceedings.

## BARGAINING COUNCIL ASSISTANCE

SEIFSA provides advice and assistance to member companies on the:

- Interpretation, application and implementation of the Bargaining Council's collective agreements;
- Formulation of all types of exemption applications; and
- Presentation and motivation of exemption applications at the relevant Bargaining Council committees.

## GENERAL INDUSTRIAL RELATIONS SERVICES

SEIFSA provides advice and assistance to member companies on all industrial relations and legal issues, including the following:

- Dispute resolution processes;
- Application of employment conditions;
- Job grading queries and disputes;
- Dealing with strike action and related actions; and
- The interpretation and application of labour legislation.

## INDUSTRIAL RELATIONS AND LEGAL PUBLICATIONS

A comprehensive range of industrial relations and legal publications is available to SEIFSA members. These include:

- A Practical Guide to Implementing Retrenchment Law at the Workplace
- Main Agreement Handbook for the Metal Industry 2016/17
- Main Agreement Wall Chart
- Managing Absenteeism in the Workplace
- Disciplinary Policy and Code
- Dealing with E-mail and Internet Abuse at the Workplace
- Contracting with Permanent and Temporary Employees and Persons Provided by Labour Brokers
- Dealing with Sick Leave and Sick Leave Abuse in the Workplace
- Dealing with Theft, Unauthorised Possession and Searching Employees

## MAIN AGREEMENT PUBLICATIONS

SEIFSA published the 2016/17 Main Agreement Handbook for the Metal Industry in July. This annual publication is an easy-to-read summary of the industry's Main Agreement. The latest edition incorporates the wage increases that came into effect on 1 July 2016 together with a number of enhancements intended to assist management in the practical application of the terms and conditions of employment of the industry.

As an added benefit to members, the Main Agreement Handbook was launched as an online subscriber service to the SEIFSA website. This online service contains the following key features:

- A quick and easy search facility;
- Downloads of pro-forma letters and employment contracts;
- Live updates of changes to the wording and content of the Main Agreement;

- Direct access to SEIFSA's consultants and job grading experts;
- Access to SEIFSA's IR case study database; and
- Links to the Department of Labour and Bargaining Council websites.

The 2016/17 edition of the SEIFSA Main Agreement wall chart was also published in July 2016. It summarises the key sections of the Main Agreement in a poster format.

## INDUSTRIAL RELATIONS AND LEGAL TRAINING

SEIFSA continues to present a comprehensive range of practical industrial relations and legal training courses, seminars and workshops for employees and different levels of management. These courses and workshops include:

- Implementing the Employment Equity Act;
- Effective IR on the Shop Floor;
- Understanding and Administering the Amendments of the Main Agreement;
- Managing Sick Leave and Sick Leave Abuse in the Workplace;
- Understanding and Implementing Labour Legislation;
- Effective Disciplinary Action;
- Updates on Labour Law Developments;
- Flexible Working Time Arrangements in the Industry;
- How to Prepare and Conduct a Disciplinary Hearing; and
- The Law of Evidence.

The Industrial Relations and Legal Services Executive and Manager lobby, on behalf of the membership, in the following platforms:

- Representing members and the interests of the metals and engineering sector in various key forums such as the National Economic Development and Labour Council (NEDLAC), its sub-committees and various relevant working groups;
- Playing an active and leading role within the structures of Business Unity South Africa (BUSA) in order to ensure that the interests of the metals and engineering sector are heard and taken into account by that body;
- Ongoing interaction with the leadership of the unions in the metals and engineering sector;
- Providing and/or co-ordinating legal advice to act on behalf of Associations in promoting, opposing

# INDUSTRIAL RELATIONS AND LEGAL SERVICES DIVISION

and/or influencing legislative and other measures affecting the industry and/ or sectoral interests;

- Representing SEIFSA and its member Associations on statutory and other structures, including the MEIBC, NEDLAC and BUSA;
- Representing member Associations on the Boards of Trustees of the MIBFA structures and committees;
- Providing a professional advisory, feedback and reporting service on matters of relevance to the various Associations; and
- Attending various Association meetings (and annual general meetings).

## LOBBYING AND ADVOCACY

Through our membership of and participation in BUSA, the Industrial Relations and Legal Services Executive was appointed onto the Board of Directors of the National Nuclear Regulator on 15 December 2016 and also serves on that Board's Audit and Risk Management Committee and the Technical Committee. The National Nuclear Regulator (NNR) is a public entity which was established and is governed in terms of Section 3 of the National Nuclear Regulator Act (Act No 47 of 1999) to provide for the protection of persons, property and the environment against nuclear damage through the establishment of safety standards and regulatory practices.

It is responsible for:

- granting nuclear authorisations and exercising regulatory control related to safety over the siting, design, construction, operation, manufacture of component parts; and
- the decontamination, decommissioning and closure of nuclear installations and vessels propelled by nuclear power or having radioactive material on board, which is capable of causing nuclear damage.

The facilities and actions regulated by the NNR are diverse and include the operation of nuclear power reactors, research reactors, nuclear technology applications, radioactive waste management, mining and processing of radioactive ores, users of small quantities of radioactive material, transport of radioactive materials, vessels propelled by nuclear power or having radioactive material on board and any other actions capable of causing nuclear damage, to which the National Nuclear Regulator Act applies.

The National Nuclear Regulator Act gives the NNR powers to grant, amend and revoke authorisations, and to impose such conditions upon authorisation holders as it deems necessary. It establishes the basis for regulatory control by alluding to acceptable risk as the determinant. The legislation specifies that a holder of authorisation for any facility or activity that gives rise to radiation risks has the primary responsibility for safety and is liable for any nuclear damage caused by their facility or activities.

During the month of January 2017, the IR & Legal Services Executive attended the various scheduled Board and Committee meetings.

The Industrial Relations and Legal Services Division has also been involved, through various BUSA structures, in the finalisation of the Proposed National Minimum Wage and Labour Relations Stability Framework Agreement.

Organised Business, organised Labour, Government and the Community sector of South Africa have all signed:

- The Declaration on Wage Inequality and Labour Market Stability;
- An Accord on Collective Bargaining and Industrial Action; and
- Agreement on the Introduction of a National Minimum Wage.





The 2016 Annual Employment Equity Report was launched on 9 May 2017 by the Minister of Labour.

Business representatives on the Employment Equity Commission have advised that:

- The Department of Labour has commenced the process to bring Section 53 of the Employment Equity Act into operation, thereby requiring Employment Equity Compliance certification as a basis for doing business with the State;
- Section 53 provides that State contracts may only be issued to employers that have been certified as being in compliance with their obligations under the Employment Equity Act. Section 53 has not yet been operationalized; and
- The Employment Equity Commission is also exploring the possibility of establishing Employment Equity Sector Targets that businesses in different sectors may be required to achieve over a period of time.

The NEDLAC Labour Market Chamber has requested BUSA to submit its nominations of members to discuss these proposed changes to the Employment Equity Act. SEIFSA will form part of the six-a-side task team that will report to the Department of Labour.

It is envisaged that these amendments could lead to:

- Allowing the Minister of Labour to establish sectoral numerical targets for the purpose of ensuring the equitable representation of suitably qualified people from designated groups (blacks, women and persons with a disability) at all occupational levels in the workforce;
- The enforcement of Section 53 obligations concerning the tendering for State contracts.

The Code of Good Practice on the Preparation, Implementation and Monitoring of an Employment Equity Plan has been issued and published by the Minister of Labour in Government Gazette 40617 of 26 April 2017 on the advice of the Commission of Employment Equity.

SEIFSA's IR/ LS and HC&SD experts are available to assist member companies that are designated to submit Employment Equity Plans to understand the Code and prepare an Employment Equity Plan for submission.

**Bridgette Mokoetle**  
*Industrial Relations and Legal Services Executive*

# ECONOMICS AND COMMERCIAL DIVISION

In line with SEIFSA's mission, the Economics and Commercial (EC) division's aim is to enhance the profile of SEIFSA by providing input to the national discourse on economic, trade and commercial matters. This is aimed at generally improving business conditions in the metals and engineering (M&E) sub-industry of manufacturing. To this end, the division provides the following services:

- Annual economic research and statistical analysis of the sector;
- Overview of the domestic and international macro-economic environment and insightful industry market appraisals to SEIFSA member associations, the government and other key stakeholders;
- Continuously update the Price and Index Pages (PIPS) (a flagship product for the metals and engineering sector), with the latest statutory and sector specific cost indices for relevant economic indicators including materials, services and labour. The PIPS indices are useful for cost tracking, benchmarking of standards and best practices, calculating of contracts (or tenders) price adjustments or escalation and for generally updating price lists;
- Contract Price Adjustments (CPAs) workshops where delegates are guided through the process of using the PIPS indices to substantiate price adjustments and how to use model formulas for computation of price adjustments;
- Ad hoc consulting services in industry-related matters aimed at improving business savvy and operational excellence.

## ECONOMIC OUTLOOK

The 2017 financial year was yet another challenging year for the M&E sector, following several years of

poor performance, post the 2008 global financial and economic crises. However, despite the economy being stuck in continuous low growth levels, high unemployment (particularly amongst the youth) and rising input costs, the sector was resilient.

The sector's share of manufacturing in Q1 of 2017 was 29.10%, effectively contributing about 3.5% to the gross domestic product (GDP).

On aggregate, the sector seemed to have recovered from the contraction recorded (-4.5%) in the financial year end of June 2016, by slightly posting a moderate growth of 0.1% by the end of the full calendar year (2016). The resilience of the sector is highlighted and all indications are that the positive growth trajectory will be maintained even though currently growth in the sector seems to be laggard and more laterally trending. Generally, there are signs of a slight up-tick in business activities adjudging by the performance of key relevant macro-economic indicators.

Production of companies in the sector stood at R580 billion, with value added to the domestic economy at an estimated R834 million. The sector recorded a decrease in employment in the full year of 2016, losing 3,864 (formal) and 7,525 (formal and informal) jobs, respectively (or 1.2% decrease), comprising a cumulative trend of 11, 389. The loss of jobs further added to the demise of the sector, given the initial loss of about 25,000 jobs by the second half of 2016. Given that the decreasing job trend in the M&E sector form an integral part of the 4000 (or -0.3%) job losses recorded in the broader manufacturing sector in Q1 of 2017, it is a course for concern.

The M&E capacity utilisation improved in Q2 2017 to 80%, against a sectoral benchmark of 85%. This is good

news given that increasing capacity utilisation will help in reducing unit costs, improving profits and supporting economic growth through new investments. Real fixed capital stock decreased by 4%, largely affected by an initial underutilisation of capacity in the start of the year, also impacting negatively on productive capacity. There was growth in fixed capital productivity (4.42%) and multi-factor productivity (2.27%) signifying efficiency in utilising available factors of production. Gross fixed capital formation or new investment within the sector declined by 8% underpinned by low demand and growth. However, there is hope for a reversal of this trend in the second half of 2017 given the rebound in business confidence index.

Indeed, the recovery of some economic fundamentals, albeit slowly, provide some comfort and basis to argue that the SA economy is gradually weathering the depression. Indications are that the trough in the

“The level of advice sought from SEIFSA by policymakers and the impact it had with the ferrous metals crisis (Evraz-Highveld business rescue) proved how valuable this can be.”

current business cycle may have finally been reached and a rebound is eminent. There is optimism that the second quarter GDP figures will provide mild impetus for a slightly robust growth in the second half of 2017 onwards. This is possible given the generally improving international economic environment, underpinned by moderate recovery of investment and exports. Moreover, developments in key external markets (for locally manufactured products) such as the SADC, the rest of the African continent, Europe, Asia (particularly China) and the USA are important in gradually improving demand conditions regionally and globally. These should be beneficial to local exporters over the medium-to-long term. Also, it is expected that an improvement in the current socio-political environment (including a clearer government economic policy stance) and international commodity prices will translate to better business

opportunities and improve the financial positions and performances of local companies. This is good news for the manufacturing industry at large and the M&E sub-industries in particular. SEIFSA's Q1 revised growth outlook of 2017 specifically simulates the M&E sub-sectors benefiting from these developments and expanding by 0.9% in quarter 2, thereby contributing to a revised predicted annual outlook of 1.2%. This figure was revised downward from 1.4% due to then weaker-than-anticipated Q1 results and deterioration of the outlook in 60% of the sub-industries.

The trade balance improved at the end of the calendar year 2016 (from -R28 billion in 2015 to R16 billion in 2016), with the positive trend continuing into the first half of 2017, where total exports decreased by 8.4% in real terms. Despite a stronger Rand in Q1, imports also decreased by 7.9% (real), which is indicative of a weak domestic economic environment. The table of export-to-output ratios of the M&E sub-industries shows that 87% of demand for plastics, 77.5% of demand for electrical machinery and 67% of demand for metal products is derived domestically. An interesting observation is that those sub-industries with the most significant exposure to the domestic economy experienced the most severe contraction in output, while the opposite mostly held for the sub-industries with higher export-to-output ratios. In addition, the sub-industries contracted the most in Q1:2017, confirming a cyclical output pattern to that of the domestic economy. A paradigm shift and new strategy is needed in doing business in the M&E sub-industries. Rather than conducting business-as-usual, a focus on improving export competitiveness is needed in order to enhance profits and act as a buffer during difficult times and sustained economic down-swings. Indeed, exports competitiveness is pivotal if M&E companies want to benefit from expected domestic green shoots (given the current expansionary monetary policy stance) and increasingly optimistic global outlook.

The critical importance of SEIFSA's role in influencing policy cannot ever be underestimated. The Federation's involvement with Government departments and institutions like the International Trade Administration Commission's work on tariffs and trade and Business Unity South Africa (BUSA) Economic policy committee (ECONPOL), is geared towards improving the environment for the sector. Indeed, the ferrous industry crisis has brought the importance of this fact into sharp focus.

## FUTURE PROSPECTS

The main question is what should be done to rekindle growth in production and employment?

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Part of the answer is that all stakeholders within the sector must find a way to work together in order to survive and to regain growth. We cannot be at war with one another: different companies against one another, different Associations against one another, labour at war with business, and business at war with Government. We are all in this together. Without this co-operation, business cannot flourish and invest for the future and labour will not have a means to survive and prosper – with disastrous results for our country.

“

SEIFSA is making a very important contribution in ensuring that volatile costs components are accounted for. Over the 2016/17 year, we have continued to prioritise reviewing, developing and expanding the coverage of the SEIFSA PIPS indices.

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After two consecutive contractions in production during the previous financial years 2014/15 (-3.9%) and 2015/16 (-4.5%), there seems to be a slight improvement recorded (0.5%) over the reporting period. SEIFSA's optimism at the beginning of this year seemed to have materialised to an extent. Although the expansion in production was modest (against our initial forecast of 1.3%), further upscaling will probably still happen, given the contemporary monetary policy position aimed at stimulating demand.

Early indications are that imports have started to drop due to the protection measures for downstream steel industry (safeguard tariffs) announced by government. The forward-looking initiative will provide real remedies aimed at helping companies in the industry remain sustainable. Also, the establishment of a R1.5 billion (over three years) downstream steel industry competitiveness fund, through interest rate subsidy, will relieve some pressure due to a number of structural factors, which have undermined the sector's competitiveness. This had resulted in a number of firm closures and more than 6% related job losses.

Longer-term survival and recovery, however, needs a whole paradigm shift in policy measures and company behavior. There is need to contain input costs and further mitigate the impact of the 2007/8 financial and economic crises which is still felt in the industry. Also, the negative effect of the Chinese economy which is simultaneously slowing down and overwhelming world markets with cheap exports need to be contained. Lastly, companies in the sector need to “sharpen the saw” and focus more on exporting to the SADC region (including SACU), especially given the favourable growth forecast for the region. Of total exports into Africa, 85% are destined for SADC, West Africa (8.2%), East Africa (5.1%), North Africa (1.1%) and Middle East (0.6%). This is especially given that exports for all sub-components that constitute the M&E sub-sector declined substantially in 2016. The sub-components with the largest weighting to the total export basket, like machinery equipment (34.2%) and base metals (48.5%) showed significant contractions of 9.0% and 15.1% respectively in 2016.

It seems as if the need for a structural shift in the market dynamics have not sunk in for companies (some still viewing production slowdown post 2007/8 economic meltdown as a cyclical downturn) and



policy makers (largely stuck on the 'pipeline' construct of how to focus policy). The result of these tendencies is that the wrong questions are asked and policy eventually formulated without proper implementation plan. A 'cluster' approach to the dynamics of each sub-industry is needed.

As highlighted in the State of the Metals and Engineering Sector Report for 2017/18, each sub-industry within the sector has its own unique exposure to national and international markets, its own capital or labour intensities and its own productive capacity constraints and production cost challenges. Gross fixed capital formation (new investment) is clearly needed by all the sub-components, in order to improve productive efficiencies to that of world benchmarks and to grow.

The M&E sector is intimately linked to the fortunes of the mining and quarrying, construction and auto sectors (and to some extent, the electricity and transport sectors). The signs of recovery in each of the aforementioned sectors (and export demand) is crucial for the M&E sector over the longer term. Stimulation and redirection of domestic general government procurement demand towards domestic metals and engineering producers is a policy measure over which South Africa has control. The recent initiative by the DTI aimed at designation, localisation and supplier development is lauded as a significant tool in the industrial policy 'toolkit' to support the broader manufacturing sector. This is especially given that government has the largest procurement spend. The steel industry seems to be the earliest beneficiary but the expectation is for the benefit to trickle down to other industries in the M&E sector (including the basic non-ferrous sub-component). Enhanced cost-effectiveness and moral suasion is also needed to ultimately attract private sector demand as well.

## ECONOMIC RESEARCH

The EC division published a fourth further enhanced version of its State of the Metals and Engineering Sector Report in January 2017. The Report which entails research triangulation and robust statistical analyses (including descriptive, inferential and statistical modelling) takes an annual look of the sector, elaborating on the drivers and underlying dynamics of observed variables like production, demand, employment, input costs, profit trends, export competitiveness, investment and capacity utilisation.

Over the years, the Sector Report has become the benchmark for monitoring business activities and developing economic trends on a sub-industry and

sector level. The sub-industries covered included the rubber, plastics, basic ferrous, basic non-ferrous, metal products, machinery and equipment, electrical machinery and equipment, transport equipment as well as parts and accessories for motor vehicles. Tracking progress of these various sub-components during the year relative to the initial prognosis and outlook proved to be a powerful tool for understanding the health of the sector.

The report relies on recognised external sources of data. These include Statistics South Africa, the South African Reserve Bank, the South African Revenue Services, Quantec and the World Bank. These are complemented by other sources such as the Economic Trend South Africa and the Industrial Development Corporation. The availability of accurate and credible economic information on sub-industry level is a resource available to members, but not fully utilised. Great effort was made to ensure that the type of data used, the sources and the methods employed in compiling the data are benchmarked to both national and international standards. The information is analysed in a unique way to produce an overview of the national and international environment, vividly depicting the state of the sector, highlighting the important drivers of growth and concluding with a predictive annual outlook.

## OBJECTIVES OF THE STATE OF THE METALS AND ENGINEERING SECTOR REPORT

The main objective of the research is to track whether the sector is expanding or declining and several longitudinal data and trends (which are often very volatile) are monitored accordingly. The study makes use of an eclectic methodology in its analyses and entails comparing the most current data point to the one immediately preceding it. It also makes use of a month-on-month and year-on-year analyses, including several year-to-date versus previous year comparisons. The approach helps in contextualising the growth trend in the industry, in generally highlighting the various drivers of growth (or lack of) and in predicting output trends in the sector with a high confidence interval. Ad hoc monthly commentary and periodic reviews are subsequently published as derivatives of the research report.

The second objective of the study is to provide an intrinsic understanding of the dynamics of observed trends. The analysis in this regard is evidenced-based, robust and compelling, further igniting several

# ECONOMICS AND COMMERCIAL DIVISION

discourses. Resultantly, more in-depth reviews and opinion pieces of specific drivers have been conducted and published in several platforms. Some of these include the SEIFSA News journal, external newspapers and technical publications.

The third objective is for the study to ignite interest and provide evidenced-based impetus for collaboration, advocacy and lobbying. Collaboration and lobbying should be aimed at reducing specific constraints as identified in various internal fora within SEIFSA. Given that the EC division acts as a repository of much of the information on the sector's economic performance over the years, an important aspect of the research is therefore in facilitating advocacy and lobbying initiatives in several external forums.

The level of advice sought from SEIFSA by policymakers and the impact it had with the ferrous metals crisis (Evraz-Highveld business rescue) proved how valuable this can be. SEIFSA was asked to be part of a steel price monitoring committee and subsequently to serve as BUSA representative on the International Trade Administration Commission. Other forums included the National Economic Development and Labour Council's (NEDLAC's) Trade and Industry Chamber, the departments of Trade and Industry, Economic Development, Manufacturer's Trade and Tariffs Forum and BUSA's Economic Policy committee including its sub-committees.

Another substantive input was made when SEIFSA held a high-level meeting with the governing party, the African National Congress (ANC). The meeting, which took place with the ANC's Economic Transformation Committee, provided an opportunity for both parties to strengthen their relationship. It also reaffirmed the importance of maintaining a good working relationship between the Government (and the governing party) and business. Both parties agreed on the need for a continuous working relationship to broadly improve

economic conditions in the manufacturing sector (and specifically within the metals and engineering sector).

## PRICE AND INDEX PAGES

The PIPS publication is in its 54th year of successful publication and has grown to be the most trusted and widely used tool for contract price adjustment. The PIPS indices assist companies calculate future changes in costs of labour, steel, transport and other inputs affecting the final cost of manufacture in order to adjust prices up to date of delivery. The publication helps businesses in due diligence and mitigating input costs, thereby improving the bottom line. Innovative initiatives aimed at enhancing the publication over the years have been successful, significantly improving the product's value and positioning it as a pre-eminent cost improvement tool in the real sector.

The PIPS publication tracks over 200 independent market or product specific indices that are valuable in drafting contracts with significant lead periods. The periodical also includes SEIFSA's composite input cost index which replicates the average cost structure of the metals and engineering (M&E) sector, comprising of labour (20%), administered costs (including fuel, electricity) (15%); nominal effective exchange rate (40%) and miscellaneous (including intermediate producer price index (PPI) (25%).

Around 90% of the M&E sector's products, including the basic ferrous (iron and steel), the basic precious and non-ferrous metals and castings, are of an intermediate nature (i.e. made up of goods that are in a transition stage between raw and finished, and can only be sold to other manufacturers to create the finished goods). The intermediate PPI measures factory gate prices and is therefore a good aggregate indicator of the ability of producers in the sector to increase selling prices. Intermediate PPI averaged 6.12% in the financial year



which can be exponential and persistent. This places great emphasis on the importance of the SEIFSA PIPS publication which provides comfort in dealing with the capricious cost curves. The PIPs publication allows companies supplying products to account for and claim those costs which are out of their control, while at the same time allowing buying companies to contain costs and mitigate the risk of unnecessary costs overruns. Indeed, the need to mitigate price changes also partly contributes in explaining the noteworthy attention the SEIFSA PIPS publication has enjoyed over the period 2016/17.

ending June 2017 (and 6.8% in the 2016 calendar year), while the composite input cost index averaged 0.3% by May 30th 2017. This represents a significant relieve on the margins of producers in a year where selling prices have generally been decreasing, with a total reduction of 6.4% by the end of financial year 2017.

Within the period under review, the Rand appreciated by 14.3% against the US Dollar. Domestic steel prices increased on average 34% at steel producer level and 28% at steel merchant level, largely driven by underlying commodity prices globally and the weakening exchange rate at the first half of 2016/17. The iron and steel industry's real value added to the domestic economy was an estimated 1.8 billion as at the end of June 2016. Even though the first half of the period under review saw a weaker exchange rate, the Rand did not depreciate significantly enough to switch operations to a negative differential between selling price and input cost inflation. Although companies in the sector operated in an environment of increasing input costs in the first half of 2016/17, there was a slight improvement in margins. The trend continued in the second half of 2016/17, generally characterised by easing input cost pressure on companies underpinned by an increasingly stronger Rand. The stronger exchange rate also eased inflation prospects in the sector, leading to an increment in positive differential between selling price and input cost inflation. Although the expectation is for the positive trend to continue towards better profit margins, the caveat is that the exchange rate is very volatile and prone to domestic and international fundamentals. This can render the Rand's trajectory very unpredictable in the near future thereby reversing the gains made from the positive inflation differential. SEIFSA is constantly monitoring these indicators given that the risk to the inflation outlook from the volatile exchange rate remains feasible.

In as much as companies in the M&E sector do their utmost best to contain costs, the irrefutable fact is that they are still exposed to uncontrollable cost increases

## CONTRACT PRICE ADJUSTMENT WORKSHOPS

The EC division is pleased to report on the encouraging progress made with the Theory and Calculation of Contract Price Adjustment (CPA) workshops. CPA is a methodology used to adjust defined areas of cost over a defined period of time, to cover costs fluctuations beyond the control of the parties to a contract. The CPA model basically helps buyers and suppliers to reach an agreement on the adjustment of prices in a contract over a specified frequency. We have continued to observe an impressive caliber of attendees at the workshops, in the form of project managers, procurement managers, supply chain managers, financial directors, business owners and all those individuals tasked with managing the cost and inflation profile of a company. The frequent and increasing number of delegates attending our CPA workshops exemplifies the importance that companies are placing on the potential risks inflation poses to the bottom line.

SEIFSA is making a very important contribution in ensuring that volatile costs components are accounted for. Over the 2016/17 year, we have continued to prioritise reviewing, developing and expanding the coverage of the SEIFSA PIPS indices, which are accurately computed in line with internationally recognised methodology and timeously published.

We remain committed to ensuring that SEIFSA PIPS publication and the CPA continue to be the best insurance against inflation eroding the sustainability of companies in the metals and engineering sector.

*Michael Ade, PhD*  
Chief Economist

# SAFETY, HEALTH, ENVIRONMENT AND QUALITY (SHEQ) DIVISION

SEIFSA provides a comprehensive and professional safety, health, environment and quality consultancy service to member companies - offering practical advice, guidance and training on all issues, including workmen's compensation claims and implementation of legal requirements. In light of the recently published ISO 9001: 2015 and ISO 14001: 2015, the division also implements the new standards and offers advice on transition the superior 2015 versions.

In addition to offering training and consultancy services, the division also lobbies extensively in various national forums on behalf of the industry. These forums include the Advisory Council for Occupational Health and Safety, National Economic Development and Labour Council (Nedlac), Advisory Committee for the Compensation Commissioner for Occupational Diseases, and the Department of Environmental Affairs industry forums. Some of the engagements are directly with various stakeholders in government, organised business and organised labour. This report highlights some activities of the year under review.

## COMPENSATION FUND

### Amendments to COIDA

Nedlac deliberations on the Compensation for Occupational Injuries and Disease Act (COIDA) Amendment Bill began on the 5th of July 2017. The purpose of the amendments is to provide for the rehabilitation, re-integration and return to work of injured employees, to regulate the use of health care facilities and to also regulate compliance and enforcement.

The scope of events covered by the COIDA benefits are significantly more. For example, the re-peal of the subsection 3 of Subsection 22, which bars benefits to employees who would have committed serious willful misconduct, would allow employees to access compensation benefits on a no-fault basis. The current

conditions under which employees are covered while travelling to and from work could be lifted, making it possible for employees to claim for compensation under COIDA if injured in an accident while using any mode of transportation. This increase in the scope would not come without challenges to the employer. The more frequent the compensable claims, the higher the risk ratings, as well as the assessment fees.

Employee rehabilitation will lead to introduction of facilities for that purpose, which will be implemented by the government. The employer on the other hand will bear the brunt of stricter fines and penalties for non-compliance to certain legal requirements.

#### Integration of Compensation Systems

The steering committee discussions on migration of current mineworks to COIDA came to a conclusion. The following were the outputs for discussion by the relevant ministers:

- A final version of the Integration of Compensation report
- Response to reports and recommendations of compensation integration process
- Draft Compensation Integration Bill

All tripartite parties anticipate the decision on the way forward by the Ministries of Labour, Mineral Resources and Health.

## HEALTH AND SAFETY LEGISLATION REVIEW

### 1. Occupational health and safety

- a) Draft Occupational Health and Safety (OHS) Amendment Bill

The publication of the Occupational Health and Safety Amendment Bill for comment is pending the Minister of Labour's approval.



b) Regulations

(i) Guidelines for Construction Health and Safety

The Constructions Guidelines were published in June 2017. Since these are first guidelines accompanying a regulation, their effectiveness can only be measured by the frequency of accidents and extent of compliance.

(ii) Draft Ergonomics Regulations

The Ergonomic Regulations were published in January 2017. In the draft stages, the contentious issue had been the definition of "competent person". Initially, a competent person should have undergone specific training and registered with a professional body approved by the Chief Inspector. Practically, this would have been a consultant and compliance cost would have been high.

## ENVIRONMENT LEGISLATION

c) Industry Waste Management Plans

In August 2016, The Minister of Environmental Affairs published a notice directing the following industries to submit industry waste management plans for approval:

- Lighting
- Electrical and Electronic Equipment and
- Paper and Packaging Industry

Both SEIFSA and Business Unity South Africa (BUSA) raised flags regarding the notice, from its scope to the compliance deadlines. In response, the Minister withdrew the notice. A revised version has been published for comment. The notice was withdrawn on 12 September 2016. Amendments were proposed by both business and government. At this stage, however, no Section 28 notice has been published.

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The purpose of the amendments is to provide for the rehabilitation, re-integration and return to work of injured employees, to regulate the use of health care facilities and to also regulate compliance and enforcement.

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According to the published version, the competent person could be a health and safety representative or any person who understands the ergonomic requirements of a task as well as applicable legal requirements.

In the near future, accompanying guidelines, similar to those of the Construction Regulations should be expected.

## SHEQ BUSINESS SOLUTIONS

ISO 9001 Quality Management Systems (QMS) is an effective tool for assuring quality of products. According to research, it increases the bottom line and enhances access to markets.

The SHEQ division provides consultancy and training services to assist with the implementation or improvement of a QMS. ISO 9001 implementation is offered to small enterprises at competitive rates.

Quality related offerings include internal QMS audits to evaluate the effectiveness of your system, and second party QMS audits to your suppliers to enhance your supply chain.

## SHEQ COMPLIANCE SERVICES

SEIFSA's SHEQ Division assists member companies in meeting the requirements of the Occupational Health and Safety Act, the Compensation for Occupational Injuries and Diseases Act and other safety, health,

# SAFETY, HEALTH, ENVIRONMENT AND QUALITY (SHEQ) DIVISION

environment and quality legislation. The SEIFSA SHEQ division guides companies in addressing safety, health, environment and quality issues at the workplace and thereby protecting management from vicarious liability and criminal prosecution.

The Division offers an audit programme which includes the following:

- An annual audit;
- The provision of the administrative documentation required to ensure that the mandatory administrative requirements are observed;
- A written report identifying and addressing areas of non-compliance and, where necessary, specific recommendations for action by management; and
- The formulation of an implementation plan to assist in the achievement and maintenance of full and proper legal compliance.

## SHEQ LEGAL ADVISORY SERVICE

SEIFSA provides a comprehensive range of consultancy and advisory services to member companies on safety, health, environment and quality issues, including:

- General health and safety legal advice and assistance;
- Interpretation and advice on occupational health and safety legislation;
- Interpretation and advice on workmen's compensation legislation;
- Formulation and implementation of company level health and safety management systems and procedures;
- Incident investigations and reporting; and
- Legal compliance guidance and auditing.

## SHEQ TRAINING

SEIFSA presents a comprehensive range of practical safety, health, environment and quality training courses, seminars and workshops aimed at all levels of management. These courses were run during the year on an in-house basis and also as public sessions and include:

- Health and Safety Representatives
- Quality Awareness
- 16.2 Appointees
- Compensation for Occupational Injuries and Diseases Act.
- Incident Investigation.
- Basic Safety Induction and HIV/Aids Awareness.
- Introduction to Occupational Health and Safety Act for Management.

Other services include risk assessments on tasks, machines, processes and equipment; incident investigation; the development of safe work procedures, and fire risk surveys.

The SHEQ Executive lobbies on behalf of the membership on the following platforms:

- Advisory Council for Occupational Health and Safety: Advises the Minister on occupational health and safety matters;
- Technical Committee 7: Hazardous Chemical Substances: Advises the Chief Inspector on HCS-related matters (at date of publication reviewing Asbestos, Lead and HCS Regulations);
- Iron and Steel Sector Forum: Promotion of health and safety in the sector and formulation of best practices;
- NEDLAC: Representing and protecting the interests of business in engagements with Government and Labour;
- BUSA: Represent the industry in engagements with business on all policies affecting Occupational Health and Environment;

- Advisory Council for the Compensation Commissioner for Occupational Disease (CCOD): Advises the Compensation Commissioner on compensation matters;
- Steering Committee for Integration of Compensation Systems: Engagements aimed at integrating or improving compensation systems under COIDA and ODMWA;
- UIF Board: To ensure financial security on loss of employment as provided for by the UIF Act; and
- DEA Waste Management Forum: Engagements on proposed amendments to Environmental Legislation.

In addition, the division is closely monitoring developments in relation to the National Clean Production Centre on Energy Efficiency in order to ensure that members benefit from various funded programmes; and is also monitoring the Government's implementation of the National Strategy on Climate Change Mitigation.

The SHEQ division will continue to play an active advocacy role in representing the views of business on various platforms, lobby relevant Government departments, influence amendments to existing legislation and/ or the introduction of new legislation affecting the health and safety of workers in the industry and strengthen enforcement regulations aimed at reducing fatalities and injuries in the metals and engineering industries.

**Nonhlalo Mphofu**  
SHEQ Executive



# HUMAN CAPITAL AND SKILLS DEVELOPMENT (HC&SD) DIVISION

In recognition of the critical role the metal and engineering sector plays in skills development in South Africa, SEIFSA's Human Capital & Skills Development team continues to solicit and consolidate stakeholder views, lobby, advocate and influence these views to develop a skills-development solution that is in the interests of all stakeholders.

SEIFSA, acting through direct representation on the Business Unity South Africa (BUSA) Standing Committee on Education and Training (SUB-CET), plays a major role in co-ordinating the views of business and lobbying for employer-friendly skills development policies and approaches at national level.

The HC&SD Division is represented on and engages in the following platforms:

- African Academy (City & Guilds) Board;
- merSETA Board;
- merSETA Metal Chamber;
- merSETA Regional Committees;
- BUSA Social & Policy Transformation Committee;
- BUSA Sub-Committee on Education & Training;
- Human Resource Development Council (Champion for Skills Development and Transformation);
- National Artisan Development Advisory Body;
- The South African Society for Co-Operative Education Board (SASCE); and
- Department of Higher Education's Occupational Team Conveners.

In order to effectively represent the interests of the membership and to advance the human capital and skills development agenda in the sector, it is critical that SEIFSA continues to play an active role in these various platforms.

The NDP Vision 2030 subscribes to the objectives of eradicating poverty, removing inequality and reducing unemployment. It is well known that without sufficient focus and continued investment in skills development,

these objectives may not be realised to any meaningful extent.

Within the manufacturing sector, there is a myriad of challenges associated with development of relevant skills. Amongst others, a legacy of poor educational opportunities, a complex tertiary education and training landscape and a poor basic education system, have resulted in many employees having little or low levels of skills. The national shortage of skills in all economic sectors exacerbates the challenges associated with the retention of staff, and increases the demands for training and development in the sector. The skills-development environment is also complex, with many policies, regulatory and legislative requirements. Traversing these requirements and challenges can be resource-intensive and exhaustive for many companies in the industry.

To counter skills shortages, SEIFSA's member companies invest in employee training and development in multitudinous interventions that include learnerships, bursaries, apprenticeships, internships and adult education. The industry also supports training and skills development in the communities where operations are located, helping to make socio-economic growth possible.

Ensuring that the views of the membership are presented and heard is critically important in influencing the human capital and skills development regulatory environment in a way that does not negatively impact on the sector's business viability and sustainability.

## Changes to Legislation

In a significant development, the government launched the National Skills Development Plan during 2016 and signalled its intention to extend the SETA landscape and the National Skills Development Strategy (NSDS) III until 2020.



“ a post school education system that can assist in building a fair, equitable, non-racial, non-sexist and democratic South Africa” – DHET 2016

The full implications for business of this transfer will only become apparent once wider consultation has been completed.

Policy will be implemented from 1 April 2018.

## Training of artisans

Artisans play an important role in the industry and SEIFSA plays an active role in areas where the training of artisans is a focus. The National Artisan Moderating Body (NAMB) is responsible for the quality of artisans trained. It has developed:

- transitional arrangements for trade testing of artisans
- draft regulations on a national register for artisans
- a report on the Recognition of Prior Learning for Artisans project
- a policy for generic grants for artisan learners
- a national administration system
- a strategy to improve the trade test pass rate

New qualifications and associated curricula are being developed for the various trades, with some of them already being registered at the South African Qualifications Authority (SAQA). Others are in the process of being developed. The new curricula contain revised knowledge modules, practical skills modules and work experience modules. The DHET is also in the process of developing an Artisan Development Strategy. SEIFSA has contributed to this work and uses its membership within the National Artisan Development Advisory Body to advise DHET on artisan matters and to influence policy relating to artisan development.

## SETA grant regulations

BUSA challenged the decision by the Minister of Higher Education and Training to change the SETA grant regulations (regulations which determine how the SETA grants are to be spent) through the Labour Court in 2013. The mandatory grant, which had amounted to 50% of the skills development levy paid to employers, was reduced to 20% and was the main change brought about by these regulations. In August 2015, the Labour Court ruled in favour of BUSA and set aside certain aspects of the regulations, specifically the reduction of the mandatory grant from 50% to 20%. The Court found that the Minister had failed to consult the NSA as required; that the Minister had acted irrationally by

reducing the mandatory grant; and that the Minister did not have the power to move unspent SETA funds to the National Skills Fund. The Minister appealed this decision.

Further delays in the submission of relevant appeal documentation to the courts and the failure to execute this order on 1 April 2016 led to BUSA again lodging legal proceedings with the courts. The date for the appeal hearing was set for May 2017.

## Proposed SETA landscape

SETAs are established for five-year periods. The current term of SETA licensing expired in March 2016. However, through two government gazettes, SETAs were re-established until March 2020. Prior to this re-establishment, a Government Gazette published in November 2015 proposed a new SETA landscape and National Skills Development Strategy IV for public comment. The gazette was widely reviewed through various platforms. SEIFSA obtained input from its members and broader industry and included these into a BUSA-consolidated business response.

The input and comments that were received by the Department of Higher Education and Training led to a rethink on the proposed SETA landscape and this led to the formulation in 2016 of a National Skills Development Plan (NSDP) by DHET. The NSDP is currently being interrogated at NEDLAC and, once this process is concluded, a gazette will be published to solicit further comments and inputs. The process is envisaged to be concluded in 2017.

## The Human Resource Development Council

The HRDC is a national, multi-tiered and multi-stakeholder advisory body established in March 2010 under the leadership and stewardship of the Deputy President and managed by the Department of Higher Education and Training (DHET). Membership is based on a five-year tenure, and representatives include a number of government ministers, senior business leaders, organised labour, academia and civil society. In 2016, the HRDC focused on:-

- Identifying skills blockages and recommending appropriate solutions to unlock these, as well as identifying the primary institutional structures and leaders for partnering with to implement possible solutions
- Commissioning research in the field of human resource development (HRD)

# HUMAN CAPITAL AND SKILLS DEVELOPMENT (HC&SD) DIVISION

- Encouraging organised business, civil society, government and organised labour to invest in education and training, and to take full responsibility for HRD issues within their areas of competency.

In order to keep our member companies abreast of the constantly changing skills development landscape, SEIFSA has ensured that it is represented at BUSA, MerSETA Board and Chambers, the Human Resource Development Council of SA and other relevant platforms.

## Education and Training Advisory Committee (ETAC)

Membership of SEIFSA's Education and Training Advisory Committee continued to increase. The committee met regularly during the year to discuss skills development and training policy matters, including those relating to the Department of Higher Education and Training, Merseta, NAMB, BUSA, SAQA, Quality Council for Trades and Occupations (QCTO) and National Skills Development Strategy (NSDS).

A substantial number of skills development facilitators from member companies also attended these meetings and reported that participation in this forum had made a significant contribution to their understanding of skills policy development as well as implementation issues within their organisations.

## HUMAN CAPITAL & SKILLS DEVELOPMENT TRAINING

### • Public workshops

A range of interactive training courses customised for training, HR and Employment equity managers and skills development facilitators were presented on the following topics:

- Employment Equity; successful submissions
- Introduction to skills development;
- Skills Planning and Reporting (Merseta's SETA Management System (SMS))
- Skills Development Update;
- Supervisory Training (Unit Standard 242821); and
- Effective Communication (Unit Standards aligned)
- Training Committee Training and Employment Equity Committee Training (qualification programme).

### • In-house workshops

The following workshops were conducted on an in-house basis to equip members to fulfil their obligations in terms of the skills development and Employment equity legislation and to promote best practice:

- An overview of skills development for training committees; and
- Employment Equity Committee – roles and responsibilities – Training.

### • Consultancy

SEIFSA offers a comprehensive and professional consultancy service on a range of human capital and skills development issues, including:

- Introduction to skills development;
- Maximising PIVOTAL grants;
- Preparing Workplace Skills Plans and Annual Training Reports to claim mandatory grants;
- Technical advice on skills development matters;
- Linking skills development initiatives to a company's strategic plan;
- Registering apprentices and learners;
- Identifying available industry learning interventions;
- Assistance with Employment Equity constitutions and submissions;

- SARS assistance with Section 12H of income Tax Act and ETI;
- Leveraging BBB-EE.

## THE MANUFACTURING, ENGINEERING AND RELATED SERVICES SETA

### (MERSETA) - SEIFSA's Role

SEIFSA continued to play a major role in the strategic management, proper governance and oversight of the Merseta through its direct representation on the Governing Board, Executive Committee, the Metal Chamber, Gauteng Regional Committee and various other ad hoc committees.

In light of the critical importance of effective skills development for the sector and current skills shortages, particularly at artisan level, it has become increasingly important for the Federation to play an active role in supporting, promoting and protecting employer interests at all levels of the Merseta.

SEIFSA was awarded the Metal Chamber Research Project for 2016/2017 and conducted research on Centres of Excellence. Prior research on artisan training in the metal industry found that employers are critical of the quality of graduates exiting training centres and entering workplaces. It is evident that a disjuncture exists between the expectations of metal industry employers, training centres and the quality of graduates.

Employers are concerned that graduates are not work-ready. They lack basic plant operator, foundational, communication and problem-solving skills. Issues such as low productivity, poor work ethics, lack of interest in further training, and poor attitude to supervisors are also a concern. Consequently, it becomes the responsibility of the employer to re-train new employees.

The purpose of the research study was to develop a Toolkit and Code of Good Practice for training centres to improve the quality of training provision and graduates for the Metal Industry. The project was completed in April 2017 and approved by Merseta's Metal Chamber during June 2017.

### Scholarships and Bursaries

- Technician Training

SEIFSA, over the year under review, renewed and

awarded three bursaries to students taking courses leading to national diplomas in engineering at universities of technology (the former technikons). Private students received the full bursary amount and company-based students received tuition fees only.

- Undergraduate Study

The Federation renewed four scholarships to students registered for approved undergraduate engineering courses at South African universities.

## SEIFSA TRAINING CENTRE

The SEIFSA Training Centre in Benoni, outsourced to GijimaAst since 2003, is managed by a governing committee comprising SEIFSA and GijimaAst representatives.

The SEIFSA Training Centre was running at 63% capacity utilization for the 24/36 week training programmes, and a total of 332 candidates attended this training for the year.

437 Candidates were trade tested by the Centre. The trade test pass rate for the period July 2016 - June 2017 was calculated at 74%.

From the above, the Randwater project has contributed 67 trainees in the second half of the financial year i.e. January to June 2017.

SEIFSA replaced six laptops for the Training Centre as part of providing the tools to enable performance at the centre.

The Training Centre has again put in a notable performance, given the challenging economic circumstances. The Centre remains a trusted and leading training facility to many in industry.

## HUMAN CAPITAL

The skills and competencies of our people determine our success in executing the activities that form part of our critical enablers. Human capital is the biggest cost to our business.

SEIFSA is a Level 4 contributor in terms of the Exempt Micro-Enterprise Codes for Broad-based Black Economic Empowerment. Accordingly, we are reformulating plans to address the priority elements of the BB-BEE scorecard to achieve our transformation targets.

# HUMAN CAPITAL AND SKILLS DEVELOPMENT (HC&SD) DIVISION

SEIFSA thrives on happy, motivated employees. We incentivize and reward competitively for exceptional performance, strongly encouraging the achievement of personal goals. Well-defined incentive targets are set annually, with performance discussions conducted as required through the year.

We use every opportunity to celebrate team or personal achievements, and reinforce the spirit of performance. SEIFSA's financials are presented to employees monthly, including performance in the respective Divisions. A highlight is the employee of the month presented to nominated employees who have exemplified the SEIFSA values and made extraordinary contributions. These highly-valued individuals embody SEIFSA's culture and core beliefs and demonstrate consistently dedication and performance. These individuals set new standards and become role models for others to follow.

Performance contracts and reviews link into our talent management and succession management processes. SEIFSA's ongoing investment in skills development, talent management, organisational transformation and employee relations are aimed at securing and motivating the calibre of human capital we need to achieve our strategy.

Personal growth and career development are discussed with each employee annually and line managers are responsible for ensuring that these discussions give rise to meaningful development plans.

Succession planning is actively encouraged within all Divisions, to ensure the constant availability of high-quality managers and executives.

Our intern development programme provides trainees with meaningful work under the guidance of allocated mentors who are trained according to an individually paced hierarchy of learning.

Maintaining sound and productive working relationships is of utmost importance to us, and open communication channels between managers and employees are encouraged. Frequent communication sessions are held to update all employees on business progress, celebrate achievements and introduce new employees to SEIFSA.

SEIFSA complies with all relevant pieces of South African labour legislation. There have been significant changes to South African employment legislation during the past year.

Wellness initiatives provide employees with access to services that promote individual health and wellbeing. Key initiatives include an annual wellness day where employees are encouraged throughout and monitored.

SEIFSA continuously endeavours to be an employer of choice and, as such, complies with applicable employment legislation and the Code of Good Practice. The Human Capital (HC) team continues to affiliate with various Human Resources and employment law professional bodies to keep abreast of best practice. To achieve its legislative mandate and organisational goals, SEIFSA acknowledges that people are its most important assets. We, therefore, promote and motivate employee engagement using the total rewards system to attract, develop, reward and retain highly-skilled people. Two staff members were promoted to senior positions in the year under review. SEIFSA is committed to increasing the representation of PDI groups in line with our employment equity plan, including people living with disabilities... In supporting the national skills development plan, SEIFSA established an internship programme and introduced a development programme to empower young unemployed graduates and prepare them for the world of work.



## INTERNSHIP PROGRAMME

Six learners were enrolled on the internship development programme from Ekhurukeni East College. The learners were placed in the operational areas of SEIFSA.

## EQUITY TARGET AND EMPLOYMENT EQUITY STATUS

SEIFSA is non-discriminatory and committed to the Code of Good Practice on employment equity.

The Department of Labour, in partnership with the Commission for Employment Equity (CEE), started engagements with business leaders from various economic sectors. This follows the continued slow pace of transforming the South African labour market.

The Commission for Employment Equity is a statutory body established in terms of section 28 of the Employment Equity Act. Its role is to advise the Minister of Labour on any issues concerning the Act, including policy and matters pertaining to the implementation of the EE Act.

These engagement sessions followed the release of the 17th CEE Annual Report. The aim of these sectoral engagements was to consult business leaders and their representatives (managers, human resource officers, EE officers among others) on employment equity-related matters and understanding the challenges that employers face in employment equity implementation and strategies to overcome them.

Transformation at the workplace also has the potential of moderating the levels of racial polarisation in the country. As social studies have shown in different parts of the world, inclusive countries tend to be more cohesive than those which do not fully embrace and leverage the wealth offered by a country's diversity.

### Career Awareness

SEIFSA attended a variety of Career Day sessions throughout 2016.

The events target learners from disadvantaged and economically depressed communities and are perhaps the only opportunity for most of them to experience this kind of interface with the world of work, experienced role models and professionals in these environments.

There is no doubt that they left the events with a better understanding of the inner workings, ethos in the world of work as well as career opportunities available from the various companies.

It was an honour and privilege for SEIFSA to support and participate in these events and know the impact it had on the learners and enriched their lives. We hope that this influenced them positively in a very profound way and that this experience will remain with them.

*Melanie Mulholland*

*HCSD Executive*



# SMALL BUSINESS HUB (SBH)

Three years on since its establishment, the SEIFSA Small Business Hub continues to seek to play a significant role in supporting small businesses through partnerships with the both private and public sectors. An integrated approach which aims to ensure that small business interests are represented in various platforms where SEIFSA Divisions lobby will enhance the hub's efforts in influencing policy in favour of small businesses in our sector.

## ENTERPRISE AND SUPPLIER DEVELOPMENT

The Small Business Hub continues to explore prospects in the Supplier and Enterprise Development space. The hub offers turn-key solutions to large enterprises seeking to enhance their BBBEE score through supplier and enterprise development. Over the past three years, SEIFSA has accumulated a good track record for supporting small business to grow.

## PARTNESHIPS

This year also saw SEIFSA partnering with the National Gazelles Programme under the auspices of the Department of Small Business Development. The National Gazelles Programme is a national SME growth accelerator funded by Seda and the Department of Small Business Development. It aims to identify and support SMEs with growth potential across 10 priority industry sectors (including the Iron and Steel Sector) aligned with the National Development Plan and Seda's SME strategy. SEIFSA joined a panel of independent assessors which identified and shortlisted the 2017 finalists.

*Nonhlalo Mphofu*

*SBH Coordinator*



# ABOUT SEIFSA

## INTRODUCTION

**T**he Steel and Engineering Industries Federation of Southern Africa (SEIFSA) is a national employer federation representing the metals and engineering industries. SEIFSA has, for the past 72 years, provided active support for its members and lobbied for policies that have improved the business environment in which its members operate.

SEIFSA's management team represents employers on a number of organisations that are critical to the success of the industry as a whole, including Busa; the Nedlac Council and the National Skills Authority. Over the years, this team has positively influenced legislation and policy affecting labour relations, skills development as well as economic and trade matters.

SEIFSA has a dual purpose: to operate at national level as the recognised voice of the metal and engineering industry and at individual member company level by providing a comprehensive range of services and products of direct benefit to members.

At an industry level, SEIFSA negotiates collective agreements covering wages, conditions of employment and social security benefit arrangements with the trade unions. The federation also represents employers on the boards of the Engineering Industries Pension Fund, the Metal Industries Provident Fund, the Metal and Engineering Industries Permanent Disability Scheme, the Metal and Engineering Industries Bargaining Council Sick Pay Fund, the Metal and Engineering Industries Bargaining Council and the merSETA.

Communication is an important aspect of the Federation's relationship with its members. There are five main channels of communication:

- SEIFSA News
- SEIFSA's website ([www.seifsa.co.za](http://www.seifsa.co.za))
- Regular electronic mails
- Regular Association meetings; and
- The Annual Southern African Metals and Engineering Indaba

# ABOUT SEIFSA

SEIFSA is the umbrella body for the following 24 Independent employer associations representing all the diverse sectors which constitute the metal and engineering industry:

- Association of Electric Cable Manufacturers of South Africa
- Association of Metal Service Centres of South Africa
- Cape Engineers and Founders' Association (CEFA)
- Constructional Engineering Association (South Africa)
- Eastern Cape Engineering and Allied Industries Association (ECEAIA)
- Electrical Engineering and Allied Industries Association
- Electrical Manufacturers' Association of South Africa (EMASA)
- Gate and Fence Association
- Hand Tool Manufacturers' Association (HATMA)
- Hot Dip Galvanizers Association Southern Africa
- Iron and Steel Producers' Association of South Africa (ISPA)
- Kwa Zulu Natal Engineering Industries Association
- Lift Engineering Association of South Africa
- Light Engineering Industries Association of SA
- Non-Ferrous Metal Industries Association of South Africa
- Plumbers and Engineers Brassware Manufacturers' Association
- Pressure Equipment Manufacturers Association of South Africa (PEMA)
- Refrigeration and Air-Conditioning Manufacturers' and Suppliers' Association (RAMSA)
- SA Electro-Plating Industries Association
- SA Reinforced Concrete Engineers' Association (SARCEA)
- SA Valve and Actuators Manufacturers' Association (SAVAMA)
- South African Fasteners Manufacturers' Association (SAFMA) (de-federated 30/06/2017)
- South African Pump Manufacturers' Association (SAPMA)
- South African Refrigeration and Air-Conditioning Contractors' Association (SARACCA)

Three of these associations are regionally based and are located in Cape Town, Kwa-Zulu Natal and the Eastern Cape.



For the FY2016/2017 financial year, the Associations had a combined membership of 1,222 companies employing a total of 169,424 employees. The SEIFSA membership employs almost 57% of the total industry's workforce represented by the employer organisations party to the Metal and Engineering Industries Bargaining Council. This makes SEIFSA one of the largest and most influential employer Federations in South Africa.

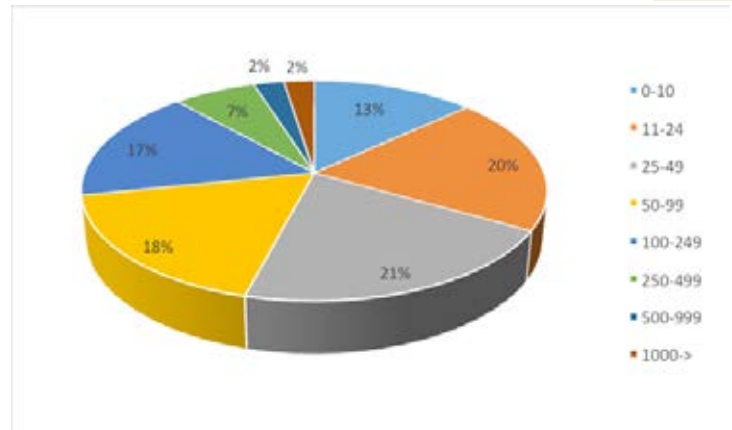
SEIFSA is a non-profit-making body. Its main source of income derives from annual per capita levies on member companies. The balance derives from income from services rendered and products sold to companies in the industry. SEIFSA's range of services and products includes consultancy (covering labour legislation, employment conditions, human capital and skill development, safety, health, environment and quality, broad-based black economic empowerment and contract price adjustment), publications, training courses, seminars and conferences.

SEIFSA has, since its formation in 1943, helped promote a business environment in which its members can successfully run their operations. The past year has been no exception and SEIFSA has demonstrated that it plays a vital role in promoting and protecting the interests of employers in the industry.

At the end of SEIFSA's financial year, the Federation's membership was 1222 member companies located throughout South Africa. Of these member companies, 54% employ fewer than 50 employees and 71% are located in Gauteng.

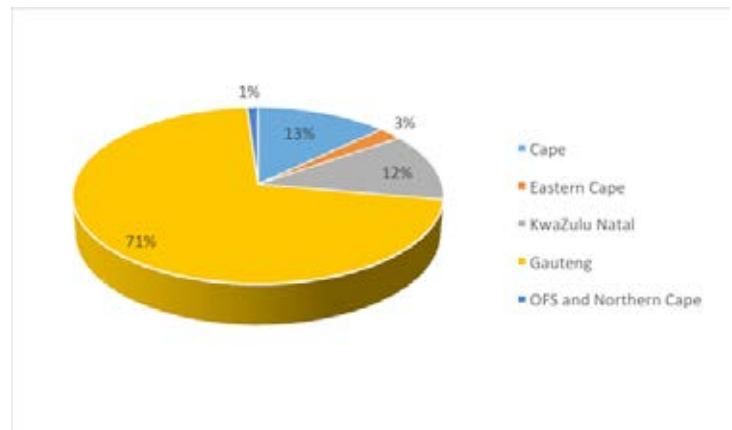
The composition of the SEIFSA membership of the Associations federated to SEIFSA according to number of employees employed is illustrated on the following graphs:

#### SEIFSA Associations' Membership: June 2017



The regional location of the SEIFSA membership of the Associations federated to SEIFSA is illustrated below:

#### SEIFSA Associations' Membership by Regional Location: June 2017



## MEETINGS

The Federation experienced another very active year in terms of association meetings and meetings of the various interest groups within SEIFSA and joint meetings with other organisations.

The SEIFSA Council is the policy-making body of the Federation. It comprises elected representatives from the various Associations and co-opted senior industrialists. The SEIFSA Council met on at least 7 occasions, including special meetings, during the year under review.

# SECRETARIAT REPORT

In the year under review, the SEIFSA Council approved amendments to the SEIFSA Memorandum of Incorporation, which introduced a Code of Ethics for the Federation as well as the Social and Ethics Committee among the Board Committees. Included in the amendments were ancillary provisions as required by the Companies Act, No. 71 of 2008.

Further, new Non-Executive Directors were elected at the SEIFSA Annual General Meeting held on 14 October 2016. The following Non-Executive Directors were appointed:

- Mr Michael Pimstein – President
- Mr Oupa Komane – Vice President
- Mr Alph Ngapo – Vice President

- Mr Leon Viljoen – Vice President
- Mr Anthony Boy
- Mr Elias Monage
- Mr Pieter du Plessis

In addition to the above Non-Executive Directors, two additional co-opted Non-Executive Directors were further appointed onto the SEIFSA Board of Directors in compliance with the Memorandum of Incorporation. These were Ms Mayleen Kyser and Ms Bulelwa Bulu.

The Board also underwent corporate governance training, which was facilitated by Mr Terry Booysen of the CGF Institute.



## BOARD MEETINGS

In the year under review, there were four Board Meetings held on the following dates:

August 2016  
November 2016  
February 2017  
May 2017

The attendance Register of the Directors at the Board Meetings was as follows:

Director	August 2016	November 2016	February 2017	May 2017	No. of Meetings attended
Angela Dick	Absent	N/A	N/A	N/A	0
Niel Penson	Present	N/A	N/A	N/A	1
Hannes van der Walt	Present	N/A	N/A	N/A	1
Leon Viljoen	Present	Present	Present	Present	4
Bob Stone	Present	N/A	N/A	N/A	1
Ross Williams	Absent	N/A	N/A	N/A	0
Ben Gerrard	Absent	N/A	N/A	N/A	0
Paulo Trinchero	Present	N/A	N/A	N/A	1
Neil Penson	Present	N/A	N/A	N/A	1
Michael Pimstein	Absent	Present	Present	Present	3
Alph Ngapo	N/A	Present	Present	Present	3
Anthony Boy	N/A	Present	Present	Present	3
Elias Monage	N/A	Present	Present	Present	3
Oupa Komane	Present	Present	Present	Present	4
Pieter Du Plessis	N/A	Present	Present	Present	3
Kaizer Nyatumba	Present	Present	Present	Present	4
Lucio Trentini	Present	Present	Present	Present	

The attendance Register of the Directors at the Remuneration Committee was as follows:

Director	July 2016	June 2017	No. of Meetings attended
Hannes van der Walt	Present	N/A	1
Leon Viljoen	Present	N/A	1
Ross Williams	Present	N/A	1
Oupa Komane	N/A	Present	1
Elias Monage	N/A	Present	1

The attendance Register of the Directors at the Audit Committee was as follows:

Director	October 2016	April 2017	No. of Meetings attended
Hannes van der Walt	Present	N/A	1
Ben Gerrard	Present	N/A	1
Neil Penson	Present	N/A	1
Leon Viljoen	Present	Present	2
Alph Ngapo	N/A	Present	1

**Bridgette Mokoetle**  
Company Secretary

# SEIFSA REPRESENTATION ON OTHER BODIES

**S**EIFSA is represented on the following external bodies:

- Business Unity South Africa (Busa).
- Commission for Conciliation, Mediation and Arbitration (CCMA).
- Energy Task Team of Busa
- Eskom, SEIFSA and Structural Forum for the Overseeing of Development in the Eskom Build Programme.
- SEIFSA Training Centre Governing Body.
- Manufacturing, Engineering and Related Services Seta (merSETA).
- Metal and Engineering Industries Bargaining Council (MEIBC).
- Metal Industries Benefit Funds Administrators (Mibfa).
- National Economic, Development and Labour Council (Nedlac).
- National Skills Authority (NSA).
- South African Institute of Iron and Steel Downstream Development Committee.
- Price Monitoring Committee.
- Technical Sectoral Liaison Committee on Trade Agreements of Nedlac.
- National Nuclear Regulator.
- Advisory Council for Occupational Health and Safety (ACOHS).
- Iron and Steel Sector OHS Committee.
- Technical Committee for Hazardous Substances.

SEIFSA, through its membership of these bodies, is able to influence business and policymakers at the highest level and to represent the interests of members. This is aligned to the federation's vision: to represent and promote the interests of business in South Africa, in particular the metals and engineering industries, through lobbying and capacity building, provision of related services and building of good relations with key stakeholders.

## BUSINESS UNITY SOUTH AFRICA (BUSA)

Busa participates in a wide range of forums and structures that shape the nature of our regulatory environment. In particular, Busa plays an active role in Nedlac.

Internationally, Busa is a member of the International Organisation of Employers, the Pan-African Employers' Confederation, and the Southern African Development Community Employers' Group. Busa is also the official representative of business at the International Labour Organisation, African Union Social Affairs Commission and the World Trade Organisation.

The SEIFSA Chief Executive Officer, Kaizer Nyatsumba, has been elected as one of four Directors to represent unisectorals into the Board of Busa.

Various SEIFSA members of staff participate in a number of Busa's Sub-Committees, including the following:

### Standing Committee on Economic Policy

SEIFSA is represented on the Busa Standing Committee on Economic Policy by Dr Michael Ade, SEIFSA's Chief Economist. The committee serves mainly as the employer caucus for Nedlac's Trade and Industry Chamber, Public Finance and Monetary Policy Chamber and the Development Chamber.

### Sub-Committee on Education and Training

SEIFSA is represented on this committee by Melanie Mulholland, SEIFSA's Human Capital and Skills Development Executive. The committee acts as a joint employer body to examine and make recommendations on policy matters in the field of skills development.



## Standing Committee on Social and Transformation Policy

Lucio Trentini, SEIFSA's Operations Director, serves as members of this committee.

## Advisory Council for Occupational Health and Safety (ACOHS)

Nonhlalo Mphofu, SEIFSA's Safety, Health, Environment and quality Executive, serves as members of this committee.

## Commission for Conciliation, Mediation and Arbitration (CCMA)

Lucio Trentini, SEIFSA's Operations Director, serves on the CCMA.

## MANUFACTURING, ENGINEERING AND RELATED SERVICES SETA (MERSETA)

### Governing Board

SEIFSA is represented on the Governing Board by Melanie Mulholland, A. Hanekom, CD Smilie, C Cato, C Uys, C van der Merwe, P Chetty, N Nkomonde and S Naidoo.

### Metal Chamber

SEIFSA is represented at the Metal Chamber by Melanie Mulholland and Willy Matthiae (SEIFSA Training Centre/Gijima), Terrence Harrison (ArcelorMittal), Cobus Cato (Macsteel), Sha Nadine (Atlas Foundries) and Blackie Swarts (Cape Gate)

## METAL AND ENGINEERING INDUSTRIES BARGAINING COUNCIL

The Metal and Engineering Industries Bargaining Council (MEIBC) is the forum created by employers and the industry trade unions to facilitate the industry wage and employment conditions negotiations and to administer and enforce the various collective agreements arising from this process.

SEIFSA serves the membership's interests on the following structures and committees:

### The Management Committee

This committee controls the activities of the bargaining council and determines its strategic direction and focus.

#### The National Finance and Administration Committee

This committee controls the council's administrative and financial functions and responsibilities.

### The National Standing Committee

This committee is responsible for negotiating various issues arising from the industry's Settlement Agreement and other technical issues which arise relating to the industry's Main Agreement.

### The Regional Councils

SEIFSA's staff and appointed employer representatives serve on the council's regional structures. These regional councils are responsible for the administration of the MEIBC's functions in the various regions falling under the scope of jurisdiction of the bargaining council.

## METAL INDUSTRIES BENEFIT FUNDS ADMINISTRATORS (MIBFA)

SEIFSA is represented on MIBFA's Board of Directors and on the Boards of Management of the four industry benefit funds, namely:

- Engineering Industries Pension Fund (EIPF)
- Metal Industries Provident Fund (MIPF)
- Metal and Engineering Industries Permanent Disability Scheme (PDS)
- Metal and Engineering Industries Bargaining Council Sick Pay Fund (SPF)

SEIFSA represents 50% of the membership of each of these bodies, with the industry's trade unions making up the balance.

# SEIFSA REPRESENTATION ON OTHER BODIES

## NATIONAL ECONOMIC, DEVELOPMENT AND LABOUR COUNCIL (NEDLAC)

Nedlac provides a forum for government together with organised business, labour and community groups to meet at national level to engage on issues of social and economic policy. Nedlac's aim is to make economic decision-making more inclusive and to promote the goals of economic growth and social equity. Organised business is represented by Business Unity South Africa (Busa) of which SEIFSA is a member.

SEIFSA serves the business and membership's interests on the following Nedlac committees:

## NATIONAL DEMARCATION COMMITTEE

Lucio Trentini, SEIFSA's Operations Director, is a business representative on Nedlac's Demarcation Standing Committee. This committee provides a forum where all formal applications for demarcation between bargaining councils and various demarcation issues and disputes between sectors and bargaining councils are considered and determined.

### Labour Market Chamber

Lucio Trentini, SEIFSA's Operations Director, is a business representative on Nedlac's Labour Market Chamber. The chamber provides a forum where the social partners are able to engage in meaningful debate around proposed amendments to labour legislation and planned changes to the country's labour market policy.

### Trade and Industry Chamber

Dr Michael Ade, SEIFSA's Chief Economist, is a business representative on the Trade and Industry Chamber of Nedlac. The chamber debated various industrial policy options and alternatives during the year under review.

## HUMAN RESOURCE DEVELOPMENT COUNCIL (HRDC)

SEIFSA's Human Capital and Skills Development Executive, Melanie Mulholland has been appointed as a Transformation and Skills Development Champion on skills development matters in South Africa.

## NATIONAL NUCLEAR REGULATOR (NNR)

SEIFSA's Industrial Relations & Legal Services Executive, Bridgette Mokoetle, has been elected as one of the Directors on the Board of the NNR.

## IRON AND STEEL SECTOR OHS COMMITTEE

SEIFSA's Safety, Health, Environment and Quality Executive serves as a member of this committee.

## TECHNICAL COMMITTEE FOR HAZARDOUS CHEMICAL SUBSTANCES

Nonhlalo Mphofu, SEIFSA's Safety, Health, Environment and quality Executive, serves as a member of this committee.



# ***Basic Metals & Mining***



## EXECUTIVE TEAM



**Kaizer Nyatumba**  
Chief Executive Officer



**Lucio Trentini**  
Operations Director



**Malanie Mulholland**  
Human Capital and  
Skills Development  
Executive



**Michael Ade**  
Chief Economist



**Bridgette Mokoetle**  
Industrial Relations and  
Legal Services Executive



**Rajendra Rajcoomar**  
Chief Financial Officer



**Nonhlalo Mphofu**  
Safety, Health,  
Environment and Quality  
Executive

## MANAGEMENT TEAM



**Siseko Njobeni**  
Communications  
Manager



**Mariaan de Jager**  
Finance Manager



**Zach Might**  
Industrial Relations  
and Legal Services  
Manager



**Melissa Sibindi**  
Marketing Manager



**Marique Kruger**  
Economist



**Theresa Crowley**  
Associations  
Manager



**Nuraan Alli**  
Sales Manager



**Michael Lavender**  
Industrial Relations  
Manager

## STAFF MEMBERS



**Lache Galvin**  
Receptionist



**Denelle Chetty**  
Credit Controller



**Lerato Lebeko**  
Executive PA to the  
Chief Executive Officer



**Khumo Kodisang**  
Associations  
Administrator



**Thabiso Lebea**  
Events and Facilities  
Coordinator



**Neo Zulu**  
Credit Controller



**Penny Seitz**  
Credit Controller



**Monica Pillay**  
Executive PA to the  
Operations Director



**July Malakoana**  
Invoicing Clerk



**Zandile Ngubeni**  
Creative Designer



**Lindiwe Modise**  
Office Assistant



**Eleen Snyman**  
Economics and  
Commercial Statistics  
Clerk



**Thabo Rammutla**  
Marketing and Sales  
Assistant



**Natalie Fourie**  
Sales Officer



**As a Member of an Association federated to SEIFSA, you will enjoy the following benefits:**



Steel and Engineering Industries Federation of Southern Africa

**OUR PASSION, YOUR SUCCESS**

#### **EXPERT ADVICE AND ASSISTANCE OVER THE PHONE ON**

- ▶ Industrial relations issues
- ▶ Legal issues
- ▶ Bargaining Council Agreements and MIBFA queries
- ▶ Safety, Health, Environment & Quality issues
- ▶ Economics and Commercial issues
- ▶ Human Capital & Skills Development matters, including grant claims from the merSETA

#### **REPRESENTATION ON NATIONAL AND INDUSTRY FORUMS**

- ▶ Business Unity South Africa (BUSA)
- ▶ Manufacturing, Engineering and Related Services Education and Training Authority (merSETA)
- ▶ Metal and Engineering Industries Bargaining Council (MEIBC)
- ▶ Metal Industries Benefit Funds Administrators (MIBFA)
- ▶ National Economic, Development and Labour Council (NEDLAC)
- ▶ National Skills Authority (NSA)
- ▶ Human Resource Development Council (HRDC)

#### **MANDATE**

- ▶ As a member, you are able to give SEIFSA a mandate for legislative changes and for wage negotiations, through your respective Associations, so that your voice is heard at the highest level

#### **BENEFIT FUNDS**

- ▶ Representation of members' interests on the following industry benefit funds:
  - ▶ Engineering Industries Pension Fund
  - ▶ Metal Industries Provident Fund
  - ▶ Sick Pay Fund
  - ▶ Metal and Engineering Industries Permanent Disability Scheme

#### **NEGOTIATIONS**

- ▶ Expert negotiators conduct national negotiations on behalf of members at the level of the MEIBC (e.g. Main Agreement)
- ▶ SEIFSA represents sectors in the negotiation of sectoral agreements (e.g. Lift Industry Agreement)
- ▶ SEIFSA experts represent members in a range of plant-level negotiations

#### **SEIFSA AND INDUSTRY NEWS**

- ▶ Copy of *SEIFSA NEWS*, a print and electronic newsletter covering the latest industry news
- ▶ Unlimited access to the SEIFSA website, including updates on the latest Industry developments

#### **CONTACT DETAILS**

Tel: 011 298 9400 Fax: 011 298 9500 (Switchboard)

Jackie Molose, Marketing, Sales and Communication Executive - Tel: 011 298 9411 or (jackie@seifsa.co.za)

Melissa Sibindi, Marketing Manager - Tel: 011 298 9456 or (melissa@seifsa.co.za)

Nuraan Alli, Sales Manager - Tel: 011 298 9436 or (nuraan@seifsa.co.za)

E-mail: info@seifsa.co.za Web: www.seifsa.co.za 6th Floor, Metal Industries House

42 Anderson Street, Johannesburg, 2001 PO Box 1338, Johannesburg, 2000

## CORE VALUES

Integrity  
Diversity  
Excellence  
Stewardship  
Passion  
Innovation

## VISION

To promote sustainable metals and engineering industries to ensure that they are strategically positioned for innovation and growth in the interests of a prospering Southern Africa.

## MISSION

To be Southern Africa's most respected advocate for the metals and engineering industries in order to create innovative businesses positioned for growth and working in partnership with all stakeholders in the interests of Southern Africa.

To foster mutually-beneficial relationships between employers and labour in the industries and to help members develop their human capital to realise their full potential.



SEIFSA

Steel and Engineering Industries Federation of Southern Africa

**OUR PASSION, YOUR SUCCESS**



## **CONTACT DETAILS**

SEIFSA Head Office  
Tel: 011 298 9400 / 0861 SEIFSA  
Fax: 011 298 9500  
[info@seifsa.co.za](mailto:info@seifsa.co.za)  
[www.seifsa.co.za](http://www.seifsa.co.za)

6th Floor, Metal Industries House  
42 Anderson Street, Johannesburg, 2001  
PO Box 1338, Johannesburg, 2000