German engineers Lurgi buy back into SA operation

(189F) ST(BT) 18/2/96

By DON ROBERTSON

PROCESS engineering group Lurgi AG of Frankfurt, Germany, has returned to South Africa following the purchase of a 55% stake in Lurgi SA from Bateman Project Holdings for an undisclosed amount.

Lurgi AG withdrew from the country in the late 1980s, but has now committed itself to continued development in southern Africa.

The local company will be restructured. The German parent will provide all executive management as well as engineering and project management systems and procedures.

Emil Persch, a senior executive of Lurgi AG who will head the oil, gas and chemical division, will be chairman. He will be joined by Walter Schlebusch, who heads Lurgi's metallurgical division. Also new to the board will be managing director Harald Notstain and marketing director Leigh Hackett. Karl Schmitt will continue to serve on the board.

Dr Hackett says the new board wants to build up activity in southern Africa.

"We see a great potential in southern Africa and intend to re-establish a sizeable office to cater for all our services."

Lurgi has operated in South Africa for almost 50 years and was a major contributor to the development of Sasol's three plants. It was also involved in gas recovery for Mossgas.

Apart from its oil, gas and chemical activities, Lurgi is involved in metallurgy, energy and environment projects as well as polymers and fibres.

The company operates globally, employing 4 700 people. It offers a full range of engineering services and project management activities.

It has a 65ha research and development centre in Frankfurt where a large number of pilot plant and semi-industrial facilities are available.

MANUFACTURING -
ENGINEERING ~~714E~~
(189E)

1997

Haggie earnings likely to plunge, say analysts

(189 E) 9/1/97

Edward West

ENGINEERING group Haggie's earnings were expected to fall between 20%-30% in the year to end-December last year, but a more positive outlook was possible in the following 12 months, Johannesburg Stock Exchange analysts said yesterday.

The share price was untraded at R20,50 yesterday. It fell sharply at the halfway mark last year after peaking at an annual high of R35,50 on February 29. The share had fallen after the release of the interim results, which showed earnings 19% lower at R27,2m as a result of a world-wide softening of the international steel markets.

Analysts said although there appeared to be no let-up of the weak demand for steel products in the short term, the weakening rand should have a beneficial effect on exports, which at the interim stage accounted for 24% of the company's turnover.

"Their forward cover expired in September, which means the company has been precluded from benefits of the lower rand until at least the interim stage in 1997," one analyst said.

Problems associated with the start-up of Haggie's steel tyre cord plant were also likely to improve, and it was possible the plant could move towards a break-even this year. In addition, exports were growing sharply.

Haggie Rand, a leading supplier of wire rope to the mining industry worldwide, was expected to continue its strong performance, as was McKinnon Chain, an analyst said.

Meanwhile, Malbak is to unbundle its 36% interest in Haggie. Anglo American Industrial Corporation, which also holds 36% of Haggie, has a pre-emptive right to acquire Malbak's 36% stake.

A Malbak spokesman said negotiations regarding the Haggie stake were under way, but he provided no further details. The aim of the unbundling was to realise some benefit for Malbak's shareholders, and analysts expected the interest would be sold either to Amic or an overseas group at about a 20% premium to market price.

One analyst said a single shareholder was required to refocus Haggie into its central activity, that of wire rope production. "The steel market is not doing well and they are in a mature market locally. Until there is a single strong shareholder with active control, the true value of the company will never be realised," he said.

In the 1995 financial year, Haggie's group net income increased to R69,6m (R60,9m), or share earnings of 343,9c (312,3c). The group increased total payout to 165c (150c) for the year.

Steel industry's decline knocks Haggie

Ingrid Salgado (189E)

ENGINEERING group Haggie's headline earnings plummeted 39% to R42m for the year to end-December after the global decline in the steel industry knocked domestic and export markets.

Headline share earnings fell 41% to 199c (339c). A final dividend of 80c (110c) was declared, bringing the total dividend for the year down 24% to 125c (165c). Net profit a share came in at 200c (302c).

Haggie group MD Chris Murray said yesterday the company had been unable to benefit from the devalued rand because forward-cover contracts were effective for most of last year.

Turnover rose 1% to R1,63bn (R1,62bn). There was reduced demand for Haggie's products in the third quarter. Domestic sales for the year dropped 3% in tonnage sold and exports decreased 12%. Haggie's steel divisions contributed 57,1% to sales, engineering 8,8% and copper 34%.

Operating profit slipped 38% to R72m (R116m) as margins fell sharply to 4,4% from 7,2%.

Steel added 66% to operating income, engineering 10% while copper continued to let the group down, contributing only 23%.

Murray said uncovered contracts and the weakened rand would start adding to Haggie's competitiveness against imports and in foreign markets this year.

Although the group's traditional markets were unlikely to grow, the company would be helped by stronger performances expected from the building industry and agriculture.

The group had embarked on a major downsizing programme owing to poor trading conditions and it had absorbed a R10m one-off cost in the process. Benefits from cuts at rope-maker Haggie Rand, copper-based manufacturer Copalcor and Somta Saws would start filtering through.

Haggie Steel Cord recorded an R18m loss during the year. However, production had doubled from July while scrap production had halved, Murray said. The division was expected to break even by the year-end, moving into profit next year.

Consolidated Wire Industries, which is jointly owned with Iscor, posted a loss as high input costs and declining demand set in.

Brass Extruders performed below expectations but McKinnon Chain, Chicks Scrap Metals and Maksal Tubes met their budgets.

Haggie maintained its gearing level at 24%. As a result, cash dividends were resumed during the year.

Murray said priorities for the year included enhancing its export potential, generating improvement flowing from new products and stringently controlling working capital.

The effects of Malbak's unbundling on Haggie — which is held 36% by Malbak and 36% by Amic — would be announced shortly, he said.

BD 14/2/97

Engineering sector hits six-month high on JSE

CT(BR) 17/2/97

MATT GETZ

Johannesburg — The JSE's engineering sector hit a six-month high last week as its components began to recover from a poor showing last year.

"Having been severely downrated last year, they are bouncing back now," one analyst said.

Last year the sector lost 15,6 percent, though the market's industrial index gained just under 1 percent. However, the sector has already added more than 5 percent this year and last Thursday it reached 2505,1 points, a six-month high.

The sector is a mixed one, encompassing shares that do not fit anywhere else on the industrial spectrum. It includes companies as diverse as Afrox, a gas producer, NEI Africa, which makes engines, and Spicer-Mitchell, which is involved in aluminium.

Some companies which would be naturals for the sector are found elsewhere. Dorbyl, which is involved in all aspects of engineering, is in the industrial holdings sector. Conversely, Unihold, which supplies industrial products to niche markets and has recently entered the information technology industry, wants to transfer to the industrial holdings sector. (189E)

Some companies have risen dramatically this year. Fralex has added 38 percent, and Inmins, Winhold and Unihold have all more than doubled their share prices.

But analysts say investors should not look to the sector to be an important growth element of the JSE. "There is big risk with engineering. The companies are vulnerable to imports, and are not internationally competitive," one analyst said. He said investors should only buy shares that were undervalued or looked like they were about to enter a turnaround phase.

CIVIL ENGINEERING (189E)

CONSTRUCTIVE MOOD

FM 28/2/97

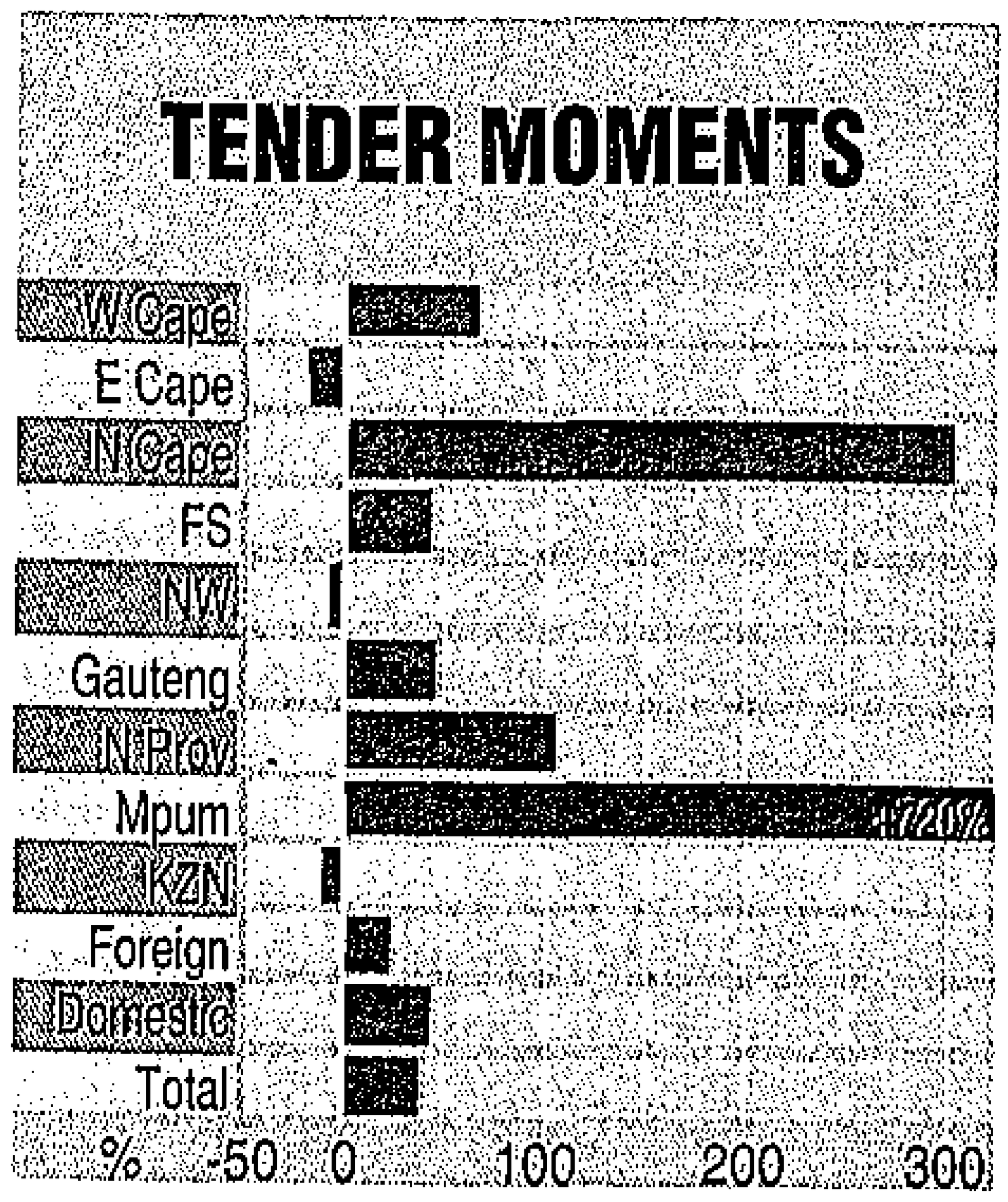
Furious tender activity in the past two months augurs well for the civil engineering industry.

Provincial growth shows Mpumalanga leading the bidding stakes with a 720% improvement and the Northern Cape 300% up.

Private-sector tenders grew by more than 500%. Growth in submarkets shows railway, harbour and airport contracts up 100% from the same period last year. Both macro sewerage and water scheme tenders grew by over 50%.

But what does this mean in terms of turnover? "Difficult to estimate," says Federation of Civil Engineering Contractors economist Henk Langenhoven.

"We are encouraged by the statistics and will try to assign some values to the number of tenders — working on average size of contracts in subgroupings in 1996. In areas such as the Western Cape, we know the trend is broadbased — and encouraging, value-wise," he adds.



But he won't say too much because lack of information in other provinces "makes one cautious."

Initial turnover forecasts are that the industry hopes to nab R6,9bn compared with last year's R6,1bn — not big but then the federation is circumspect.

Langenhoven says the industry is ambivalent. "Confidence has taken a turn for the worst but tender activity is frantic and some of the large awards are imminent. We think this year will be better but there's uncertainty on prospects after next year."

Bigger awards still to come include a revamp of the N3 highway from Heidelberg to Durban at a cost of more than R1bn. The R3bn Maputo Corridor will also mean a major upgrade of the N4. And the remainder of the Huletts Alumium expansion contract is expected to dump R1,8bn in the sector's coffers.

"The latest data gathered since last October confirms our estimates of the overall size of the industry. We believe 1997 will be a better year. But implementation problems at local and provincial level as well as the lack and altered nature of central government investment spending are affecting confidence," he says.

Confidence levels, he adds, showed a marked decline in the third quarter. It appears as if the old problem of under- and overusage apply. Turnover rose as newly awarded contracts (third-quarter 1996) had to be completed, with a corresponding increase in employment. But the volume of awards was not sustained and new capacity was rendered idle.

"Companies face a dilemma: if the flurry of tenders during the first few months of 1997 translates into work awarded, idle capacity can be carried. Should the work fall away, the idle will have to be laid off," he says.

As a client, the public sector still has to prove its ability to deliver. This may take time to achieve as the debt problems and confusion in administrations continue. The private sector will grow in importance and government's incentives for export expansion will, it's hoped, make this a gradual process, fostering a stable client base, says Langenhoven.

Though most domestic business confidence indices are sliding, investor confidence seems to be holding on the strength of government's macro-economic plan, along with its commitment to privatisation and macro-economic discipline.

"The co-ordinated implementation of the macro-economic strategy for *Growth, Employment & Redistribution* (Gear) is important. The measures to stimulate private export investment may be seen in projects such as the Coega harbour and industrial development but probably only towards the end of our forecast period.

"The housing, land reform and infrastructural" investment programme of Gear all depend on the efficient operation of provincial and local authorities. Reports keep surfacing of local governments failing and provincial governments in disorder. We cannot see this improving dramatically over the forecast period."

Four issues of concern have emerged: the confidence index has suffered a setback; the flow of funds and contract awards from government has not met expectations; inflation is approaching double digits; and private projects (including toll roads) are taking longer than expected to reach fruition.

However, the brisk tender activity will start to influence turnover by midyear. Most of the toll road contracts will probably materialise this year, which will push up turnover in the second half of 1997.

Mick Collins

DORBYL (189E)

WATT ON THE LANDSCAPE

FM 28/2/97

Peter Watt, who recently quit as deputy chairman of Bill Venter's Altron, is joining Dorbyl as chairman and CEO of Dorbyl Automotive Products (DAP). He will also be involved in strategic planning.

Albert Lynch remains MD of DAP with a stronger focus on international joint ventures and exports. Watt will draw on his manufacturing experience to look after existing operations.

Midas MD Martin Parry has been appointed MD of the new Dorbyl Automotive Aftermarket Distribution division.

Dorbyl CEO Bill Cooper says the automotive interests have shown solid growth by becoming first-tier suppliers of components in the local market and by growing exports (*Fox* February 7). The acquisition of a controlling interest in Midas last year has proved itself as it produced good results despite a severe disruption of the market by Federal Mogul, for sale again only three years after Federal Mogul US bought Varex from FSI.

Dorbyl's results for the year to March will be hit by nonrecurring items. It ends its interest in the Intershore oil rig project in April. Its loss will be R55m-R60m; R30m was provided in the first half.

Cooper says this will not have a material effect on EPS as the losses are offset by nontrading profits — but he warns that the economy has cooled progressively over the past year with trading conditions remaining difficult.

Another nonrecurring expense has been the investment in Baan software information systems throughout the group to improve customer service off a lower cost base. Cooper expects significant financial benefits from this upgrade towards the end of 1997 and in 1998.

Dorbyl has a strong strategic focus on motor parts and the type of fixed investment which does not rely on big projects. At R49,60, Dorbyl is on an undemanding 9,8 p:e. It is still a buy. *Stephen Cranston*

PEP LTD

30% of all students who graduate as engineers in SA leave for abroad

Star 15/4/97 (189E)

1997 graduate of year to join the exodus overseas but will keep his options open

By Trove Lund

Although he would like to remain in South Africa, top engineering graduate Graeme Welton, along with about 80% of his university class, will explore careers abroad before deciding where to settle.

The 22-year-old mechanical engineer from Randburg, who received the 1997 top young engineer award at the weekend, said yesterday that a decision to stay in South Africa would have to be made after a consideration of the crime rate, violence, education and work options.

"As soon as I have worked off my bursary, I plan to go.

"I love South Africa and will always keep the option of returning open.

"I will travel and work to start, but if ever I find myself in the position where I am starting a family, I will have to consider factors like crime and work options carefully before coming back."

After the national engineering awards ceremony, Roy Marcus, chairman of the South African Engineering Association, warned that the country's shrinking engineering community was a threat to economic growth.

Marcus said a country's potential as a global competitor was measured in terms of the number of engineers per million of its population. There were 35 engineers per 1 million South Africans compared with 220 in Australia and 600 in Japan.

Marcus said the current positive economic growth rate would not be sustainable if the engineering community continued to deplete at the current rate. An estimated 30% of all students who graduated as engineers each year left South Africa after having worked back bursaries and did not return.

Crime and poor education aside, the country was losing engineers because it was not keeping abreast with exciting technological cultures overseas.

Marcus also urged industry to change its mindset and introduce excitement into technological fields.

He said the Government had a responsibility to ensure maths and science did not lose their importance in schools, and to encourage more school-leavers to enter technological fields.

"Young engineers are limited here, but the other danger is that fewer and fewer engineers are being produced."

As a career choice in South Africa, engineering ranked seventh or eighth compared to first-world countries, where it was ranked tops.

Alan Wright, deputy chairman and chief executive officer of the Gold Fields mining group, also called for the Government to focus on retaining locally developed skills.

Krupp trains its sights on southern Africa

(189E) ST(BT) 20/4/97

ENGINEERING

By DON ROBERTSON

MULTINATIONAL group Krupp, worth R65-billion a year, is restructuring its engineering division in a move that heralds an aggressive assault on the southern African market.

This should see turnover of the local subsidiary rise substantially over the next few years.

The subsidiary, which will change its name from Krupp South Africa to Krupp Engineering, will move to new headquarters in Sunninghill, north of Johannesburg, next year. The company's three divisions — Uhde, Polysius and Mining and Materials Handling — will be housed together for the first time.

The group recently announced the merger of its German steel production division with Thyssen into Thyssen Krupp Stahl AG, making it the world's fifth largest steel group with sales of R75-billion and production of 15-million tons of steel a year.

Manfred Günther, South African managing director, says that after the various acquisitions by the group in recent years, it was decided to change the name of the company globally to reflect core activities better.

By combining the previously separate divisions into a single unit, the local group is now able to offer a wider range of technology and engineering skills which should substantially boost the current order book of about R600-million in the next few years.

"By establishing Krupp Engineering, we have created a force specialising in the planning, design, engineering, project management, construction and commissioning of both German and locally designed technology.

"In terms of our global strategy, development and technology exchange between South Africa and Germany are important," says Günther.

The group is currently involved in a number of major projects using German and locally developed engineering skills.

Internationally, the Krupp group has undergone considerable change in recent years. In 1992, it merged with Hoesch, a multinational steel and engineering company in what was then the largest corporate merger in Germany. Later, Krupp acquired the Uhde group, a global supplier of chemical and related technology.

The restructured South African group will now incorporate Krupp Mining and Materials Handling, Krupp Polysius and Krupp Uhde.

The minerals and materials handling division has been a leading name in the mining world for the past 100 years. With a current order book of about R200-million, the section is focusing on the use of a new bucket-wheel excavator for use in recovery of hard coal deposits. It recently supplied a R40-million dredger recovery system to De Beers for the recovery of diamonds from the sea.

The Polysius division is particularly involved in the cement industry and is a leading contender for the new Pretoria Portland Cement plant in the Eastern Cape, if this should get the go-ahead.

It has a current order book of about R250-million.

The Uhde chemical division, with an order book of R160-million, is also involved in a number of other major projects.

Lomé access a boon for builders

(189E)

BD 2/5/97 (52)

John Dludlu

SA CONSTRUCTION and engineering companies are expected to benefit from SA's partial membership of the Lomé convention which entitles them to tender for contracts worth 6,2-billion ecus in the convention's 70 African, Caribbean and Pacific (ACP) member states, analysts say.

Until last Friday, when the joint assembly of the European Union (EU) and the ACP approved SA's membership of the convention, only SA firms based in ACP states were allowed to tender for the contracts financed by the European Development Fund (EDF) — the convention's financing mechanism.

Michael McDonald, an economist at steel and engineering federation Seifsa, said yesterday that SA's integration to the ACP carried exciting opportunities for the country's construction and engineering companies which had the technical expertise needed in infrastructural projects.

Cape Town University academic James Hodge said: "Another area of benefit is because SA professionals cost less than European rivals, there is a chance to enter those (ACP) markets in certain business services."

Hodge, an expert in services trade, said increased trade and investment opportunities resulting from Lomé membership would also bolster the need for SA's financial, advertising, marketing and legal services.

In negotiations with the EU, SA's proposal that its firms be allowed to tender on preferential terms, normally granted to ACP nations, was rejected.

A number of analysts canvassed said the country's firms did not need these concessionary terms laid down in article 303 of the convention.

SA's major construction companies based in the ACP states have already won a significant amount of EDF-funded contracts.

Rashaad Cassim, a director at the Braamfontein-based trade and industry policy secretariat, echoed McDonald's view, saying the membership offered vast opportunities for companies involved in infrastructural projects.

The EDF contracts, mostly won by EU firms or ACP ones with EU shareholding, comprise works, supplies and technical assistance — a trend which EU development officials hope will change with SA's participation.

While SA firms might have the skills, the awareness level of Lomé opportunities was "worryingly low", one analyst said. McDonald said: "We have to educate them on how to go about doing it". Faxed inquiries to the trade department on whether government will hold information seminars were not answered this week.

An EU official in Brussels said the EDF tender system, available on Internet, was transparent and open. As an ACP member, SA will also be allowed to participate in joint EU-ACP bodies.

Engineers may volunteer their services

BD 2/7/97 (189E)

Business Day Reporter

THE SA Association of Consulting Engineers (SAACE) is considering offering its services to government departments in order to contribute to speeding up the reconstruction and development programme.

The association's president, Ian Strickland, said its members could help alleviate the bottlenecks in central, provincial and local government which were slowing down the process of delivery.

Strickland told an SAACE function in Johannesburg that the association had a responsibility to "promote the accelerated empowerment of previously marginalised people", both within the consulting engineering environment and within the ranks of the SA contracting industry.

"Our people need real empowerment which brings them self-respect, long-term earning prospects and confidence in the knowledge that they are good at whatever they do," he said.

"The SAACE's mission statement reads, in part, that we will work to improve the quality of life of all South Africans by the promotion of engineering excellence — a mission we cannot fulfil unless we are seen as relevant in the communities in which we work.

"Many of our members had recognised this need and they had implemented appropriate training schemes and bursaries long before there was any coercion to do so."

The association had long realised the need to take steps to promote the process of empowerment. It had rewritten its constitution to cater for membership by firm instead of by individual. This allowed it to accommodate less experienced consulting engineers without having to drop standards.

Strickland said that among the problems facing the profession was a severe shortage of qualified and experienced black engineers and technologists. There were historical reasons for the problem, not least a schooling system which did not produce many black matriculants with the necessary levels of mathematics and science to enter university or technikon.

"Unfortunately, there is no quick fix for this problem. The reality of the situation is that it takes at least seven years for a school leaver to undergo a tertiary education in engineering, and to acquire enough experience to become professionally registered."

In the same spirit of compromise that has characterised the new political dispensation, the SAACE had joined the SA Black Trade and Allied Careers Organisation and the public works department in hammering out the details of the now well-known pilot roster system, intended to encourage firms to assist "previously marginalised people" and to reward firms which had done so already. However, because it was a compromise, none of the negotiating parties regarded the system as entirely satisfactory.

Strickland said the SAACE's members represented an important resource for SA's development, and they collectively handled projects with a combined construction value of about R12bn a year.

"We believe that government at central, provincial and local level has a duty and a responsibility to ensure that development funds are spent wisely and effectively.

"In doing so, they also have to take into account the principles of empowerment.

"Furthermore, they have to ensure they follow the sometimes confusing procurement procedures required by applicable laws and ordinances. We have developed documentation to assist in the process of selecting consulting engineers for projects," said Strickland.

Future economic growth at risk without more engineers

(189E) BD 10/6/97

Business must take a hand in tackling the critical shortage of engineers that is facing SA, writes Leslie Boyd

THE biggest challenge facing SA is how to bring about an economic transformation that will launch SA towards achieving growth rates of 6% to 8%. It is only by lifting the country on to a higher growth path that meaningful progress will be made in alleviating poverty and ridding ourselves of a massive unemployment crisis.

The shortage of technically trained human resources in SA is fast becoming a major impediment towards achievement of accelerated economic growth.

The state of science and technology in a country is an important indicator of global competitiveness, and forms the basis for sustainable economic development. By international standards, SA rates very poorly indeed.

A recent study showed that SA produces 15 times fewer graduate engineers per million of the total population than Japan, eight times fewer than the US, and six times fewer than Australia. The developing Pacific Rim nations all produce substantially more engineers and technicians than are being produced by SA vocational education and training institutions.

What is particularly worrying is that the situation seems to be deteriorating: SA universities' intake of engineering students has been declining since 1990.

Weigh this against the fact that total enrolment at SA universities has increased by about 80% between 1985 and last year, and the extent of an unhealthy imbalance between arts and humanities on the one hand and science and technology on the other is evident.

There is no doubt that the disproportional intakes into arts and humanities is a luxury a developing country can ill afford. To meet the aim of becoming an industrialised nation, there is a need for a better match between the education and training of people, and market needs, especially in areas vital for economic growth.

In Japan, where one-third of university students are registered for engineering courses, the ministry of education has estimated the country still has a national shortage of engineers, and is devising plans to increase the intake of students into the engineering streams by 10% each year.

This should act as a warning signal to SA, where the current shortage of engineers is being exacerbated by emigration. Of great concern is the very small percentage of first time black university entrants registering for engineering degrees (less than 0,5%).

The decline in engineering university students is not compensated for by a switch to related subjects at technikons. There has been an encouraging growth in total technikon enrolment (there were five university students for every technikon student in 1984; this figure has decreased to 2,3 in 1994), but it is questionable if technikons are meeting the needs they were intended to address.

The national education department's 1992 education renewal strategy states that the aim of technikons is "to concentrate on vocational education ... and therefore on the application of the practice of science in the promotion of technology". Yet technikon enrolment figures show that fewer than 25% of students are enrolled in the engineering and technology fields. Technikons' mechanical engineering intake has dropped 10%, from 1 287 in 1994 to 1 163 in 1995.

The alarming decline in technically skilled people is not limited to engineering graduates and diploma holders, but exists at all levels of engineering. There is also a lower number of potential artisans entering the metal industry.

The sustainability of industrial-based economic growth in SA is threatened by a growing shortage of technically skilled people. Declining intakes of students at all levels of engineering indicate this problem is not being effectively addressed and, ultimately, will be to the detriment of all.

So what are the causes of the problem, and how are they to be addressed? The poor quality of mathematics and science education in SA schools, and thus the small percentage of candidates eligible for technical qualifications, is probably paramount among the many causes of the technical skills shortage.

Furthermore, there is a need for vocational guidance at schools and in the community, regarding training and career opportunities in technology and engineering.

Flexibility in government training policy is another important element if businesses, especially smaller employers, are to offer innovative and quality technical training programmes.

Also a stumbling-block is that SA has not yet embraced the concept of developing and using technicians. In Japan, Taiwan and South Korea the average ratio of technicians to graduate engineers is about 15 to 1; in SA it is 1 to 2.

Clearly, there is much the state can, and must, do to address the crisis in technical education. However, a greater and more sustained effort must be made by industry. It is unfortunate and shortsighted that in times of tightening profit margins the first budget trimmed by many businesses is that of education and training.

It is the business community's responsibility to ensure that expenditure on education and training is commensurate with the nation's need to retain high technical standards. If this is not done, SA's future growth will be hampered by a debilitating skills shortage.

□ *Boyd is honorary president of the SA Institute of Mechanical Engineers and chairman of Anglo American Industrial Corporation. This is an edited version of a paper written for SAIMECHE.*

Civil engineering sector can look forward to R7bn growth

CT(BR) 20/8/97

(189E)

Ncaba Hlophe

Johannesburg — Annual turnover for local civil engineering was expected to grow to R7 billion by the end of the year as a result of increased private sector activity, the South African Federation for Civil Engineering Contractors said yesterday.

Henk Langenhoven, the federation's economist, said business confidence had recovered from a 20 percent decline in the second and third quarters of last year and had risen by 3 percent in the first quarter of this year.

"The recovery of the business confidence index happened despite a very unfavourable Budget, which saw money allocated to capital expenditure declining substantially and a weak performance by the public sector as a client," he said.

"It seems as if renewed inflation fears have been nipped in the bud, although material and plant costs are rising faster than the general production price index."

The industry presently employs more than 71 794 people. Its capacity utilisation rose to 73 percent in the first quarter of this year.

Labour costs are forecast to rise by 9,6 percent this year and by 8,4 percent next year, while fuel prices could rise by 17 percent this year.

The number of tenders and the number of contracts awarded both surged by an average of 28 percent, as private and industrial contracts, boosted by the Saldanha and Huletts aluminium projects, rose 165 percent.

However, tender awards for railway, harbours and airports fell by close to 80 percent compared to last year, while road tenders rose by 31 percent and water schemes by 87 percent.

Langenhoven said the industry had performed well despite a marked slowdown in gross domestic investment — which resulted in weak company results and low retail and vehicles sales — and uncertainties about the implementation of government's growth, employment and redistribution macroeconomic strategy.

"Although actual conditions on the ground may get worse, we have turned the conceptual corner and are prepared to solve our problems with openness and a willingness to listen," Langenhoven said.

"Then it is a case of stand up and be counted."

Dorbyl buys back 50% of SPI

(189E)

Jonathan Rosenthal
Industrial Editor

(BR) 16/9/97

Johannesburg — Dorbyl, the manufacturing and engineering group, had bought back 50 percent of Steel Pipe Industries (SPI) from its joint venture partner for an undisclosed sum, the group said yesterday.

The deal reverses a 1994 investment by Tubemakers of Australia, which at the time increased its stake in SPI from 10 percent to 50 percent with management control for an estimated R20 million to R30 million.

Tubemakers took control of the company through using an option linked to the supply of its proprietory technology, which includes a pipe-joining system that allows unskilled workers to lay pipes without welding the joints.

Bill Cooper, the chief executive of Dorbyl, said the opportunity to reacquire control of SPI arose out of last year's hostile takeover of Tubemakers by Broken Hill Properties, the Australian mining group.

He said the acquisition gave Dorbyl "the best of both worlds" as it regained management control but still retained access to Tubemakers' technology.

He declined to put a value on the transaction other than to say it was "significant".

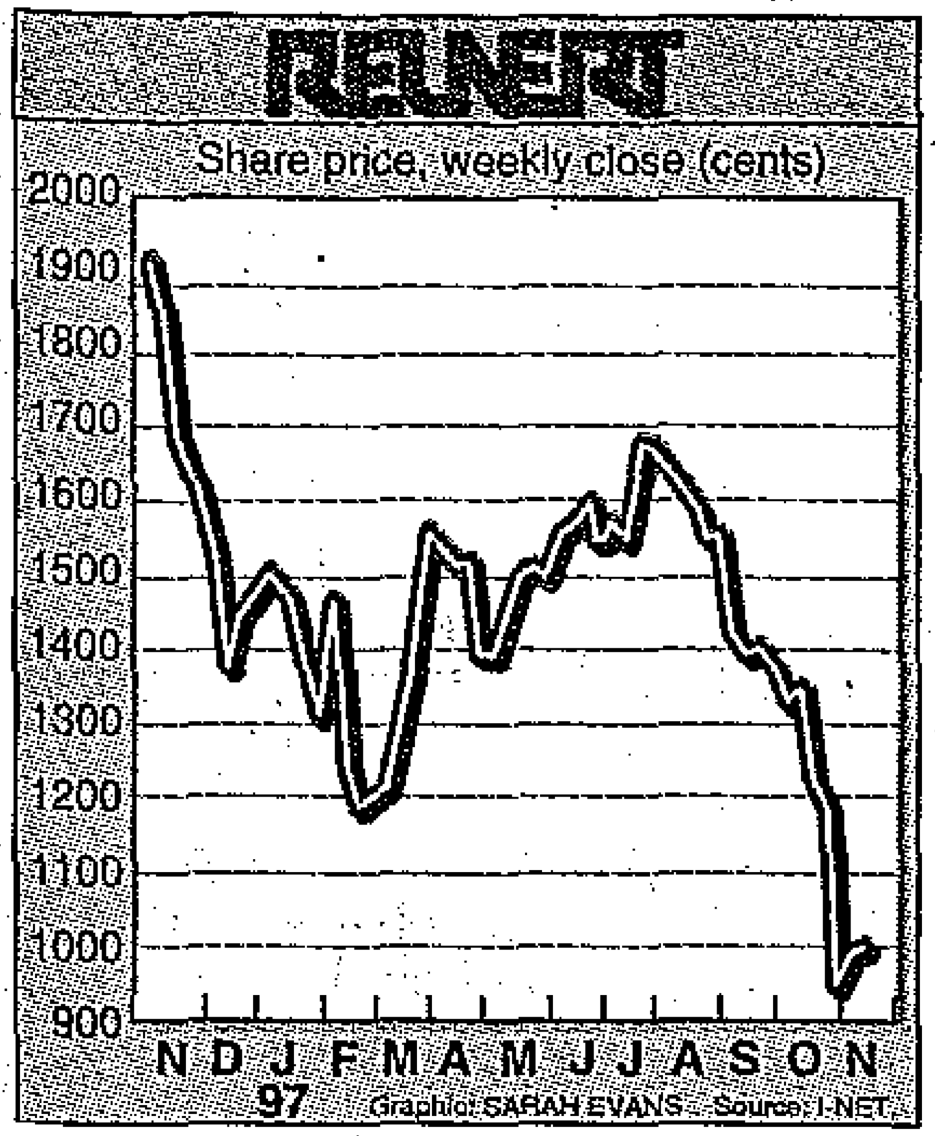
In March 1995, the two parties opened a $18 million water-pipe coating plant to take advantage of expected RDP expenditure on infrastructure. Last year, the joint venture invested a further R15 million in a new spiral-weld pipe plant.

Cooper said SPI forecast solid demand for its products in RDP water-infrastructure projects.

earnings

Restructuring costs cut Reunert

(189E) BD 13/11/97



Janet Parker

ELECTRONIC and engineering group Reunert reported a 34% slump in headline earnings to 66,5c a share for the year to September, in line with a profit warning issued in September.

Chairman Clive Parker said the slump was due largely to restructuring costs and R77m in abnormal costs, and a "disappointing" performance from its defence and allied division, and higher than anticipated borrowings.

The results tally closely with the earlier profit warning, which stated that earnings before abnormal items would decline by about a third, with abnormal items at about R70m.

Parker said at the time that although restructuring would continue into the current financial year, the group aimed to absorb most restructuring costs and losses on its discontinued operations in the year under review, to enter the current financial year as a leaner and more focused entity.

The group said yesterday it had been left "in a position to significantly improve its performance and, provided the economy remains stable, a much improved result can be expected in 1998".

Analysts said Reunert was set to improve on its current poor results. If the group managed to bring its defence and allied division back to a break-even situation — the "worst case scenario" — headline earnings would bounce back to 102c a share by year end.

Any additional improvements, which were likely in the electronic & consumer and telecommunications divisions, would push headline earnings up further to about 110c a share.

The market was also looking forward to a successful conclusion of the Saudi Arabian arms deal, which would boost Reunert's defence and allied division.

The group declared an unchanged final dividend of 25c a share, bringing the total dividend for the year under review to 36c, also unchanged.

Difficult trading conditions, and the restructuring initiatives, resulted in a 19% decline in operating profit to R237,1m off a turnover which improved just 5% to R5,2bn. The interest paid bill declined 19% (R21,6m), although borrowings were higher than expected due to high levels of stock held in the defence and allied, and consumer and commercial divisions. The tax bill dropped 15% to R62,5m.

Parker described the performance of the electrical engineering division as "good", the telecommunications division as "excellent", the defence and allied division's performance as "particularly disappointing".

NEWS

SA NEWS DIGEST

☐ ENGINEERING

CT(BR)18/11/97(189E)

Federation expects to boost turnover despite a slowdown in investment

The civil engineering industry expected to defy the blow from slumping infrastructure investment and cost escalation to post turnover growth of 19 percent to over R7 billion by the end of this year, said the South African Federation for Civil Engineering Contractors (Safcec) yesterday. Henk Langenhoven, Safcec's economist, said confidence levels had dropped 16 percent since the first quarter of this year. He said lack of funding for small and medium contractors from provincial authorities was the cause of the pessimism. "Many contractors are not getting paid, or conversely, awarded contracts without firm starting dates because of lack of funding. It is no secret that larger contracts are taking longer than anticipated to come to fruition." He said the industry was expected to post a 2,8 percent growth to R8,2 billion next year as all leading indicators pointed to a nominal slowdown. Langenhoven called for efforts to be stepped up to ensure that the government's macroeconomic policy did not falter. — *Ncaba Hlophe, Johannesburg*

☐ ECONOMY

Strong leadership 'makes the difference'

Strong leadership could make the difference between steering the country into a prosperous future or letting it slide into a rut of failure, said Brand Pretorius, the head of McCarthy Motor Holdings, at yesterday's 1997 South African Leadership Summit Conference. "Strong leadership determines the political environment, social development and ... economic growth, which directly affects business success. It is a common perception ... the economic future of South Africa does not appear to be very bright. High expectations are now confronting limited resources ..." He said things would begin to look up. He predicted the deregulation of the economy would accelerate, as would growth in the informal sector, with constant pressure coming from demanding customers. "However, the world is now open to us, new opportunities emerge on a daily basis and it is possible for South Africans to compete on an equal footing in the market place. This presents our leaders with the challenge of either becoming world class or perishing." — *Shirley Jones, Durban*

☐ TAXATION

CT(BR)18/11/97

Commission warns NGOs not to expect panacea

The Nonprofit Organisations Bill, which should be passed by parliament this month, would not be a panacea to non-government organisations (NGOs) hoping for donation tax incentives, said the Katz commission on tax. A commission sub-committee last week released a document examining the tax dispensation for NGOs. Dennis Davis, the sub-committee's chairman, said questions arose as to the justification for a favourable tax dispensation for NGOs. The sub-committee said there should be no amendment to existing legislation to extend tax benefits to more NGOs. At present, the tax law provides for a restricted range of tax deductions for contributors to NGOs. Section 18A of the Income Tax Act is the only specific deduction for this purpose and only applies to bona fide donations made to universities and educational funds, with the deductible amount limited to 5 percent of the taxable income of a company. Donations to many welfare and public interest NGOs did not qualify for tax deductibility. — *Mpho Mantjiu, Johannesburg*

CIVIL ENGINEERING

Are contractors finally coming out of the woods?

Offshore raids lift local firms and give the bottom line much needed boost FM 21/11/97 (189E)

Come year-end, the civil engineering sector will have something to celebrate as real growth for the year is expected to come in at between 8%-9%.

Success is partially attributed to foreign contracts which are expected to deliver 30%-40% of the sector's income, says acting executive director of the SA Federation of Civil Engineering Contractors Daan Hurter.

Turnover in 1996 was R6,692bn, and is expected to be R8bn this year. The industry employed 77 300 people this year, up on the 65 000 employed last year, but well below the 120 000 employed in the early Eighties. Hurter says workers' skills have improved because of aggressive training schemes, and with it productivity. "And in some cases better management and better equipment also boosted productivity."

Road contractors are busier than heavy concrete contractors. Though the cost of capital equipment and imported material such as bitumen has increased substantially because of the weak rand, this has been offset by inflation-linked increases in the cost of local materials, such as cement and bricks.

There is still some short-term work in progress, but contractors are perturbed about the paucity of long-term work. There is hope, however, that the Water Affairs Department will call for several build-operate-transfer dams and water schemes to be constructed. "Contractors are preparing tenders for the more than R400m N3 toll-road to Durban, but the closing date for the tender is a moving target. Negotiations will then start with the successful tenderer, and that can take six months," says Hurter.

Most major companies grew. Shares performing reasonably well on the JSE include LTA, Grinaker, Group 5, Wilson Bailey Homes and Stocks & Stocks. The counters weren't as badly affected by the recent crash as were shares in other sectors.

Contractors have won reasonably large World Bank funded and guaranteed contracts in Mozambique, Lesotho, Zimbabwe, Botswana, Ghana, Namibia, and Mali. Some contractors have work in Dubai, and several are looking for work in the Far East and in South America. A few who weren't working for World Bank-funded projects in Africa experienced cash-flow problems as the payment of money due to them was challenged and withheld temporarily by local governments. But they compensated for those delays with higher margins.

"SA contractors competed internationally to get contracts in foreign countries," says Hurter. "The world is open to them. Sanctions have ended and SA was granted some opportunities by the Lomé Convention. But they feel at home in Africa. Murray & Roberts is a major player in the consortium of local and international contractors involved in the engineering procurement and construction contract for Mozal, the R3,5bn Mozambique aluminium project. It is busy with design. The actual construction of the project will go out for tender."

Russell Roberts

Daan Hurter . . . the world's an oyster for local firms

Contractors aren't happy with metropolitan councils and government using more of their budgets for consumption expenditure than for capital expenditure. They understand that in many cases there's a need for it. But the industry is decidedly unhappy with the inability of councils that have embarked on capital projects to pay for work done.

"This applies to some of the larger councils, and is having a serious effect mainly on small and medium-sized contractors," says Hurter. "Many are in limbo, and are waiting for councils to let them know where they stand. Some have been awarded contracts but have been told not to start because funds aren't yet in place. Others who were busy on provincial contracts were asked to give the provinces an idea of what it would cost if they stopped working (and the provinces stopped paying), until March.

"This places them in a situation where they have to husband resources until work restarts. It also precludes them from tendering for other work." David Pincus

MANUFACTURING - ENGINEERING

1998

Haggie on road to recuperation

(189)

JONATHAN ROSENTHAL

INDUSTRIAL EDITOR

CT (BR) 5/8/98

Johannesburg — Restructuring at Haggie, the Anglo American-owned steel wire company, had begun to pay dividends, with the embattled company moving into a net cash position and reporting marginally improved first-half earnings yesterday.

Headline earnings were unchanged at 129c a share, but total net earnings fell 27 percent to 95c a share.

Haggie said its markets had grown only slightly, while the group's margins came under pressure from intensified competition in domestic and export markets.

The group has refocused on businesses related to the conversion of steel rod into wire, wire rope and chain. It sold Maksal Tubes, Reclam and Somata Saws and used the cash to redeem debt and reduce its finance costs.

Although losses continued at Haggie Steel Cord, the company said it had made adequate provision for any loss that might arise from the disposal or closure of this operation.

Tony Harris, Haggie's chairman, said the Asian crisis would continue to depress commodity prices, while Haggie exports would be harmed by anti-dumping actions initiated by European Union producers against certain Haggie products.

But he said the group's restructuring and the reduction in its interest bill would allow the group to match last year's earnings of R60 million.

Numsa strike depends on Ameo offer

CT (BR) 11/8/98 (~~...~~)(189)

Frank Nxumalo

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) warned yesterday that the national strike by more than 21 000 of its members would continue unless car manufacturers put "something positive on the table" when they met to negotiate today.

The union said it would not "sacrifice workers' rights at the altar of profit" when it met the Automobile Manufacturers Employers' Organisation (Ameo) this morning in a dispute resolution meeting called by the Commission for Conciliation, Mediation and Arbitration (CCMA).

Tony Kgobe, Numsa's auto sector co-ordinator, said there was "little room in terms of our movement, given that our position is close to zero". But he hoped reason would prevail.

"We hope we will emerge out of the CCMA with a short strike. We don't want a long strike — for us it's a sacrifice. We have already lost R4,2 million in wages, but it is a short-term sacrifice for a long-term gain."

Numsa downed tools on Friday to demand a 2 percent improvement factor in the second and third year of a three-year wage agreement.

Sources put Ameo's losses as a direct result of the strike on Friday at R130 million.

The parties had settled at 8 percent across the board, a wage spread of 10 percent between minimum and maximum wages and a 7,5 percent rise for artisans.

But they did not agree on linking the improvement factor to the consumer price index and the inflation rate.

Hold on Iscor retrenchments

(189)

By Mzwakhe Hlangani
Labour Reporter

ISCOR Steel and the National Union of Metalworkers of SA (Numsa) are expected to broker a deal to end the long-standing rift on the re-evaluation process of the steel company's Vanderbijlpark works.

As a result, the contentious planned closure of two divisions in Vanderbijlpark and the retrenchment of about 6 000 workers " have been put on the back burner", the union's general secretary Mr Mbuyiseli Ngwenda said yesterday.

"Discussions took place in a spirit of cooperation and the process mapped out will not only resolve the issues but will also lead to greater understanding on the way forward between Iscor and Numsa," said Iscor group communications general manager Mr Luvuyo Ntshona.

Sowetan 11/8/98

Ngwenda was also optimistic about cooperation on the company's human resources strategy, affirmative action policy and the sharing of financial and structural information.

The union's attitude was characterised by its limited information in fundamental areas related to the planned rationalisation process. Ngwenda pointed out that the moratorium on further rationalisation plans was granted to allow the union 60 days to intensify its research and come up with alternative plans.

Epping plant hit by strike

ARG 12/8/98 (189)

ED WEST
DEPUTY BUSINESS EDITOR

Nearly 100 members of the National Union of Metalworkers of South Africa (Numsa) have started a protected strike and picketed Donaldson Filtration Systems factory in Epping.

Shop steward Omar Elmie said yesterday that workers resorted to strike action after talks on pay rises deadlocked.

The company offered a 6% increase, while the union wanted 12%.

Donaldson human resources director Mike Parfit said roughly half the employees were on strike but the factory was still operating.

Although the strike was not related to the national strike by 21 000 Numsa members in the motor industry, it had contributed to raised expectations for higher wages among workers at Donaldson's, said Mr Parfit.

The strikers complained about lack of access to company toilets and canteen facilities yesterday.

ED WEST

Picket fences: Donaldson Filtration Systems workers at the factory in Epping yesterday

Iscor earnings rise on higher iron exports

(189)

David McKay

BD 13/8/98

ISCOR, the steel and mining group, posted an 89% increase in headline earnings to R727m for the year to June yesterday as higher iron ore exports, the effect on revenues of the rand's weakness and benefits from the group's much-criticised restructuring benefited the bottom line.

Unions and other critics said earlier this year Iscor's restructuring was ill-directed. However, the closure of the loss-making stainless steel plant at Pretoria and the absence of production interruptions had shielded Iscor against poor trading conditions in some areas of the world steel market, analysts said.

The year-end results also exceeded analysts' earnings forecasts which, according to a Reuters poll, ranged from 25c to 27c a share.

Iscor's headline share earnings were 28,4c from 15c in the 1997 financial year. At 10c a share, Iscor resumed paying dividends.

Executive chairman Hans Smith said headline earnings would rise this year due to the weak rand and further re-engineering benefits.

Iscor Steel also reported a softening in the domestic steel market in the second half of the year. However, its operating income improved to R601m from R143m.

Iscor closes ironmaking plant

CT(BR) 13/8/98 (189)

ROY COKAYNE

Pretoria — Iscor, the integrated minerals and metals group, was mothballing its ironmaking facilities at its Pretoria Works with immediate effect, Peter Ntshona, the group general manager of corporate communications at Iscor, said yesterday.

Ntshona said about 250 people could be affected by the closure, and the process of dealing with the human resource issues had begun with all affected parties.

"There will be no financial impact on Iscor's profits as sufficient provisions were in place on June 30 1998 to handle the impact of the mothballing," he said.

Dumisa Ntuli, the spokesman for the National Union of Metalworkers of South Africa (Numsa), said Numsa had declared a dispute with Iscor over the Pretoria Works.

Ntuli claimed Iscor had not consulted Numsa with regard to the closure of the facilities.

Ntshona said future activities at the Pretoria Works would be limited to providing services to the small section mill operated on site by Iscor's Vereeniging Works and the coke ovens operated by Suprachem.

"Agreement has been reached with Afrox on the gas supply contract currently in force at the Pretoria Works," Ntshona said. "The two gas operation plants have been cut back to a single operation to supply mainly the merchant market base of Afrox."

The decision for the closure follows Iscor's announcement in August last year that steelmaking facilities at the Pretoria Works were to be mothballed, resulting in 1 050 workers losing their jobs.

Operations at the Pretoria Works were scaled down to the production of pig iron for international markets.

But Ntshona said the Asian economic crisis had had a severe negative effect on pig iron dollar prices and volumes. He said an early recovery was not expected.

"In addition, the Sishen-Saldanha railway line has been de-bottlenecked due to the ... efforts of Spoornet, with the result that Iscor can now export the ... 500 000 tons of iron ore required by the Pretoria Works (to produce) pig iron at significantly better margins than the income generated by ... sales," he said.

Steel

Iscor, IDC to put another R1bn into Saldanha

BD 14/8/98 (189)

Hilary Joffe

ISCOR and the Industrial Development Corporation had agreed to put an additional R1bn into the Saldanha Steel project after estimates of the peak funding needed for the project were revised up to R8bn from the original R6,8bn, Iscor said yesterday.

Iscor finance director Malcolm Macdonald said Saldanha's debt had been restructured to give it a more relaxed commitment up front, and he did not think the project would come under cash pressure. It is expected to turn cash-flow positive in financial 2000.

The peak funding phase is now expected to be in June next year, against the original June this year. Reflecting weak international steel prices and high interest rates, the project's financing costs and precommissioning losses are now estimated at R2,1bn, up from R1,3bn. Construction costs were expected to total R5,9bn, against the original R5,5bn.

Iscor Steel MD Louis van Niekerk said Saldanha's steel plant, which produced its first bar coil in May, had met commissioning milestones.

The iron plant is due to come on stream in the December-January period.

In other developments, Iscor said it had sold its information technology division, ITI, to Advanced Software Technologies (AST) in exchange for prelisting shares. AST is due to list on the Johannesburg Stock Exchange's main board in September.

AST CEO Gerrie de Klerk said yesterday the deal was worth R1,4bn, taking into account the long value of the contracts with Iscor. Iscor chairman Hans Smith said ITI had been an independent business unit for the past two years. The deal with AST would unlock significant value for Iscor, which would hold "not far below" 50% of AST, but planned in time to sell this down to 25% or less.

Iscor also sold its Pretoria head office building for R136m, intending to put the funds to better use, and is leasing it on commercial terms from the buyer.

Smith said the group, which reported an 89% increase in headline earnings to R727m for the year to June, would show a further earnings increase in the year ahead. It expected no support from local markets and even less from export markets, particularly on the steel side, but would continue to "buck the trend" of weak commodity prices.

Although turnover rose only 4%, operating profit was up 97% to R1,2bn as Iscor's re-engineering programme began to yield benefits, and the group put problems at its Vanderbijlpark steelworks and its Sishen iron ore mine behind it. The post-May weakening of the rand also helped. Macdonald said it accounted for 2,5c of the group's headline earnings a share of 28,4c (1997: 15c).

The group's return on equity almost doubled from 5,1% to 9,6%. The net debt-to-equity ratio rose to 13,4%, from 3,7% at end-June last year. Including R1,7bn in guarantees for Saldanha Steel, the ratio was 34,7% (1997: 27,3%). Macdonald said, however, that most of the group's R1,8bn debt was long term and it was not in any danger of liquidity pressure.

Iscor Mining raised operating income 36% on turnover which was up 15%, while Iscor Steel's operating income was up more than threefold, on minimal turnover growth.

Sale marks Iscor return to core business

(189) CT (PR) 14/8/98

ROY COKAYNE

Pretoria — Iscor, the integrated minerals and metals company, had agreed to sell its information technology (IT) division to the Advanced Software Technologies Group, Hans Smith, the executive chairman of Iscor, said yesterday.

The value of the transaction, which is effective from July 1 this year, was not disclosed.

Smith said the decision to sell the division, called Information Technology for Iscor (ITI), formed part of ITI's commercialisation process, which began in June 1995 and was effectively implemented in July 1996.

"We took the decision to separate Iscor's information technology unit from the rest of the company to allow, on the one hand, ITI to unlock its potential value and to take full advantage of the opportunities available in the IT sector and, on the other hand, to enhance the management of information in the company," he said.

Jac van der Walt, the group general manager of business information of Iscor, said that with Iscor's focus on core business, it was decided to take the commercialisation of ITI all the way.

The objectives were to improve the career opportunities for ITI staff, to unlock value for Iscor shareholding and to establish a basis for further improvement of IT service delivery to Iscor.

MINING *Earnings rise 32% on higher prices and better sales*

CT(BR) 19/8/98

Samancor bucks steel dip

(189)

Andi Spicer
Mining and Resources Editor

Johannesburg — Samancor, the ferroalloys producer, bucked the dip in the steel market during the year to June by increasing headline earnings 32 percent on higher ferrochrome prices, an increase in sales and a weaker rand, the company announced yesterday.

Columbus Steel also showed a profit before interest and depreciation in the last quarter of the financial year.

Wilrich Schroeder, the managing director of Samancor, said: "Columbus is very encouraging, and the positive trend in operating results is expected to continue."

Headline earnings rose from R242,1 million to R320,5 million as turnover increased 10 percent to R4,08 billion.

"We expect a significant improvement in headline earnings in the future," Schroeder said.

But in dollar terms, the increase was only 2 percent because higher ferrochrome prices and volumes were offset by lower prices for other commodities and a 9 percent reduction in manganese alloy volumes.

A final dividend of 50c a share brought total dividends to 80c.

The ferrochrome market benefited from a fall in exports from Kazakhstan, which more than offset the negative effect of the Asian crisis. "We were able to maintain prices even in a weak market," Schroeder said.

Ferrochrome prices rose 8 percent over the year, and Samancor's operating performance was improving.

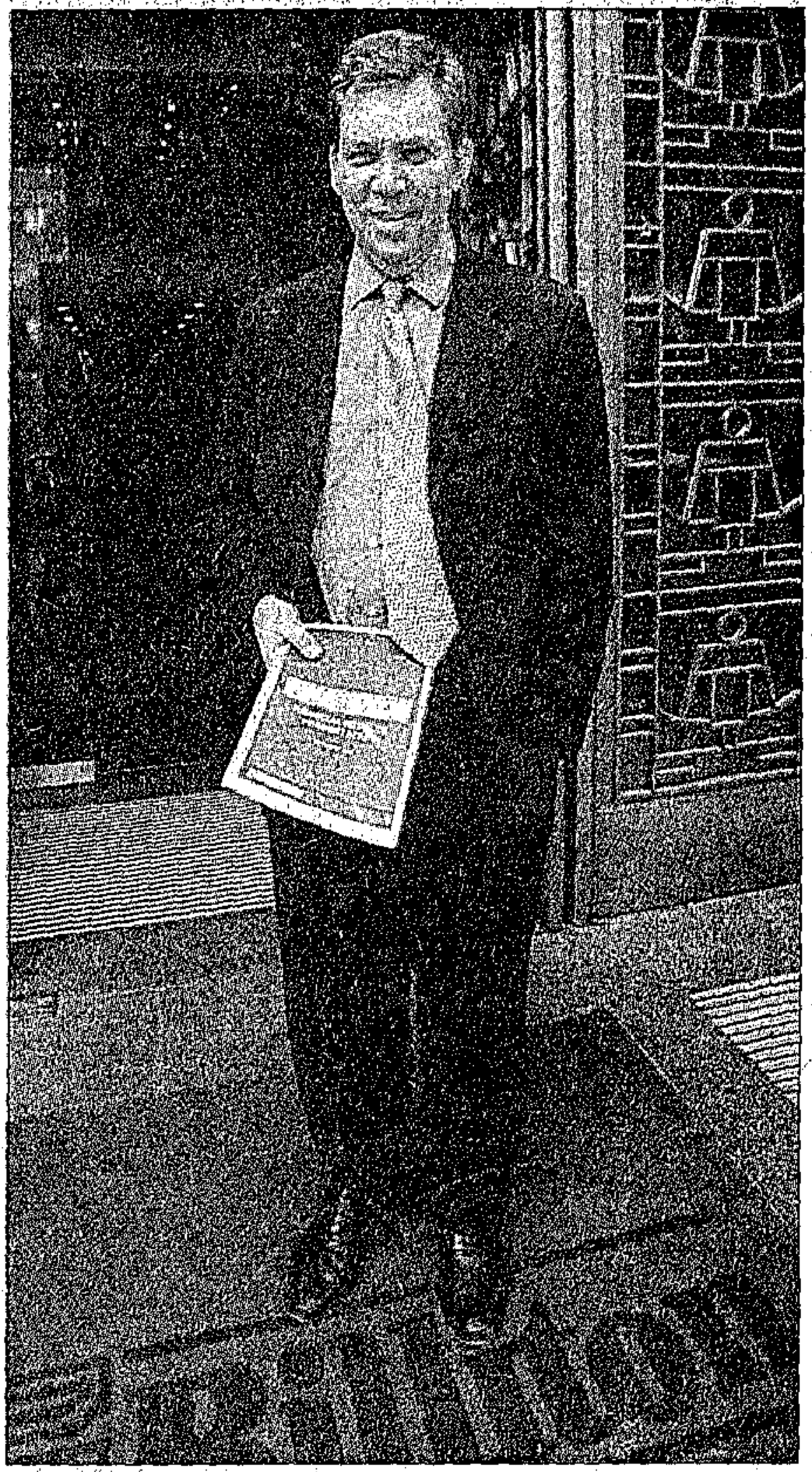
Schroeder said he expected only a 1 percent growth in stainless steel production, but some analysts put that figure at a 1 percent decline this year. There was "major weakness" in Japan, where production had fallen by over 10 percent.

Ferromanganese prices were on average 4 percent lower on international markets, mainly because of the oversupply of material from China and the CIS. But this was improving as alloy margins were expected to widen.

Columbus showed an operating loss before interest and depreciation of R60,1 million, from R181,1 million previously. In the last quarter, a profit before interest and depreciation of R6,8 million was achieved.

There was a 27 percent increase in production of high-value cold-rolled stainless steel during the year and a 23 percent rise in total sales to 319 000 tons.

Samancor shares closed on the JSE 100c higher at R25,50 yesterday.



STANDING TALL *Wilrich Schroeder, the managing director of Samancor, is optimistic about future earnings* PHOTO: JOHN WOODROOF

□ Business Watch, Page 2

100 000 tons a month is new processing target

Amplats to give Atok plant R71m upgrade

ET(BR) 21/8/98 (189)

ANDI SPICER
MINING AND RESOURCES EDITOR

Johannesburg — Anglo American Platinum (Amplats), the world's largest platinum producer, announced yesterday a R71 million expansion to its Atok Operation in Northern Province.

The project would add another 21 000 ounces to the mine's annual production of 80 000 ounces, said the company.

The expansion, known as Middlepunt Hill, will achieve full production in 14 to 18 months. The Atok process plant will mill about 100 000 tons a month.

"The mining method to be used will take the form of a down dip (retreat) mining," said Amplats. "The resource, which is situated some 30 metres above the natural ground level, will be accessed via an adit."

Enhancements to Atok's plant are expected to allow it to handle extra tonnage in the future.

Amplats stormed ahead in its annual results, released earlier this month, with headline earnings surging 85 percent.

The group's surge in earnings was based on higher average prices of platinum group metals, the weakness of the rand and increases in production.

Barry Davison, the managing director, said the outlook for platinum group metals looked good, with "sound platinum demand and reduced Russian supply from stocks. This bodes well for the platinum market".

"Strong palladium demand growth, coupled with supply concerns, are likely to have a positive impact on platinum demand in the medium term."

The shortage of palladium will lead to greater use and demand for platinum in automotive catalytic convertors.

Platinum companies in South Africa have been buoyant recently as the positive outlook for the metal in dollars has combined with the depreciation of the rand.

This has led to Amplats and Impala Platinum, the second largest producer, recording huge leaps in profitability which are expected to be sustained over the next few years.

Amplats ended yesterday on the JSE at R92,20, up 180c.

Saldanha Steel's corex unit still on track for December

Breakdown 'will not delay' steel project

(189)

Jonathan Rosenthal
Industrial Editor

Johannesburg — A breakdown on the air separation plant at the R7,9 billion Saldanha Steel project would not delay the commissioning of the plant's main corex iron-making unit, executives said last week.

Industry sources said a motor driving one of the compressors had broken down on the air separation plant several months ago. The air separation plant produces oxygen, argon and carbon dioxide for the steel and iron-making plant.

Bernard Smith, the chief executive, said on Friday a motor driving a carbon dioxide compressor had failed, but it had been successfully repaired. He said the air separation plant was not being run, but this was because there no need to run the plant until the main corex unit had been commissioned.

The small quantities of oxygen needed by the steel plant were being trucked in at present, he said.

The small quantities of oxygen needed by the plant are being trucked in

Saldanha's tight production timetable has been hit by several delays, including a labour dispute earlier this year, that have helped push up its peak funding requirements.

But Smith said the corex plant, which takes almost two weeks to heat up, would be commissioned in December. The midrex plant, which is used for the direct reduction of iron, would be built by early December and be commissioned in December or January.

Kevin Robertson, a consultant to Iscor on the Saldanha project, said he was confident the plant would put its first steel on to the market by the end of the month.

He said it had successfully produced a 2,5mm thick strip last week, which was well ahead of expectations.

Earlier this month Iscor and the Industrial Development Corporation, the project's two shareholders, committed a further R1 billion to the project to account for the higher than expected funding requirements.

New jobs, but IBA trio still owe

ST 18/1/98

ANDRE JURGENS

THREE disgraced Independent Broadcasting Authority councillors who resigned eight months ago have found cushy new government jobs.

They have yet to repay the R194 000 in taxpayers' money which the auditor general says they owe to the IBA.

Peter de Klerk, Lyndall Shope-Mafole and Sebeletso Mokone-Matabane resigned on May 15 last year after Auditor General Henri Kluever revealed a lack of financial controls at the IBA.

De Klerk and Shope-Mafole are now employed by the Department of Communications (the old Department of Posts, Telecommunications and Broadcasting).

De Klerk is a broadcast policy research consultant with an annual gross income of R191 792.

Shope-Mafole earns R24 000 a month as a special adviser to Communications Minister Jay Naidoo.

Mokone-Matabane is employed as a consultant to Sentech, which is owned by the Department of Communications.

Sentech managing director Neél Smuts said she was a high level consultant with a salary matching her status.

Numsa strike tests new labour laws

(189)

Frank Nxumalo

Labour Editor

CT (BR) 21/8/98

Johannesburg — More than 220 000 workers allied to the National Union of Metalworkers of South Africa (Numsa) are due to down tools tomorrow morning in a countrywide combined sympathy and primary strike against the car and steel industries.

Marchers will assemble at designated points in Johannesburg, Pietersburg, Pretoria, Bloemfontein, Durban and Witbank at about 10am.

The union has already settled with the Steel and Engineering Industry Federation of South Africa and the Automobile Manufacturers Employers' Organisation (Ameo).

However, it is targeting these associations in a sympathy strike for allegedly colluding with the South African Motor Industry Employers' Association (Samiea), the target of the primary strike.

This will be the first time under the new Labour Relations Act that workers in one industry exercise their right to embark on a solidarity strike in support of aggrieved comrades in another industry.

"We believe that the national secondary strike is going to be the first of its kind under the new Labour Relations Act 1995," said Dumisa Ntuli, the Numsa spokesman.

"It shall also be a test of the act to allow workers in one trade union to strike in sympathy and solidarity with members in other oppressed companies and sectors."

Employers' organisations, including Ameo, will challenge the legality of the strike today in the Johannesburg Labour Court. Ameo has said the strike would be a disaster for the industry, with major consequences for jobs and billion-rand export contracts. It said it had no influence over the Samiea talks and questioned whether Numsa's decision to target other sectors was "reasonable".

Numsa said: "The employer organisation will seek to convince the Labour Court to adopt a conservative approach; that a secondary notice cannot be given until a primary strike has actually begun.

"Ameo will also attempt to convince the court that the sympathy strike in the auto sector would not have a significant impact upon the motor employers."

The union said its legal department had indicated that "Ameo will not succeed in drawing the court into technicalities with the intention of unreasonably limiting the constitutional right to strike".

The union accused Samiea of "tabling a miserable minimum wage offer of 4,5 percent and of rejecting all Numsa demands."

Ntuli said: "Numsa is demanding that all wage increases should be on a guaranteed inflation rate increase. All wage increases ranging from 12 percent to 18 percent, depending on the grade, should be on the actual rates of pay."

First blow in motor industry wage fight

(189)

Sowetan 31/8/98

By Mzwakhe Hlangani

AN estimated 220 000 members of the National Union of Metalworkers of South Africa (Numsa) will embark on a one-day solidarity strike nationwide tomorrow to put pressure on employers in the motor industry for increases that take the inflation rate into account.

Numsa spokesman Dumisa Ntuli said yesterday that the planned action was the start of a major fight with the industry's employers in an effort to bring wages and working conditions in line with the rest of the metal industry.

The strike action in the motor sector involves 65 000 workers at filling stations, panelbeating shops, car dealers and major motor components firms such as Dorbyl, Bosal and Gabriel. It will start tomorrow and continue indefinitely.

The national solidarity strike by 155 000 Numsa members in the automobile, engineering and tyre sectors will be characterised by pickets and marches on the offices of the South African Motor Industry Employers' Association (Samiea) in Johannesburg, Pretoria, Durban, Pretoria, Bloemfontein, Pietersburg and Witbank.

"We believe the national secondary strike is going to be the first of its kind under the new Labour Relations Act 1995 and will also be a test of the ability of the Act to allow workers in one trade union to strike in sympathy with members in other oppressed sectors," Ntuli said.

Numsa will today oppose an application for an interdict by the automobile employers' organisation regarding the solidarity strike by its 155 000 members in the tyre and automobile sector.

Ntuli charged that the employer organisations sought to convince the Labour Court to adopt a conservative approach that the notice for a solidarity strike could not be given until a primary strike had begun.

He said the employer organisations would also attempt to limit the constitutional rights of workers and to convince the court that the sympathy strike in the auto sector would not have a significant impact on employers.

Samiea has offered a minimum wage of 4,5 percent and rejected all Numsa demands of 12 to 18 percent wage increases for lower grades, training and that job outsourcing should be negotiated with the union.

Also high on the list of Numsa demands is an end to plant-level negotiations so that every company can be brought into mainstream industry negotiations.

Samiea spokesman Mr Vic Fourie said they were aware of the planned strike action and were not prepared to make any comment.

Ntuli also claimed that the motor employers had always negotiated in bad faith and the workers could not accept "wage-traps" when the industry was making huge profits.

Most marches will start at 10am. In Johannesburg it will start from the Cramerview shopping centre in Randburg to Surrey Avenue; in Pretoria from Paul Kruger Square and proceed to the Samiea offices in Beatrix Street.

● Negotiations between South African Airways, the SA Railways, Harbours and Allied Workers Union and other unions in dispute with SAA have in principle reached an agreement at the weekend.

A joint statement issued by SAA chief executive Mr Coleman Andrews said the agreement, which had the unanimous endorsement of all the negotiating teams, would be submitted for discussion by the represented employees.

On reaching agreement in principle with SAA, the negotiating team of one of the unions withdrew its previously filed notice of industrial action.

The unions also committed themselves to ensuring that SAA's operation ran smoothly during discussions and the ratification period.

Sympathy strike goes ahead today

Labour court rules for Numsa

eT(mR) 1/9/98 (196) (189)

FRANK NXUMALO AND ROY COKAYNE

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) is set to take its 220 000 members out on the country's first one-day, sympathy strike today after the labour court yesterday rejected employers' urgent interdicts opposing the action.

Workers from the automobile and engineering sectors will be striking in sympathy with their colleagues in the motor components sector, who will be embarking on an concurrent primary strike over wage demands and an acceptable wage model.

The court rejected the interdicts by the Tyre Manufacturers Employers' Association and the Automobile Manufacturers Employers' Organisation (Ameo) against the sympathy strike, saying Numsa had not been given time to respond.

Dumisa Ntuli, the Numsa spokesman, said the union "viewed it (the court's ruling) as a major victory for Numsa on a major battle tomorrow with the South African Motor Industry Employers' Association (Samiea).

"We believe the unsuccessful attempt by Ameo is the first of its kind under the new Labour Relations Act, and was a good precedent for the ability of the law to allow workers in one trade union to strike in sympathy with members in other oppressed companies or sectors," Ntuli said.

However, the nationwide strike could be a crippling blow to the car industry, which has just emerged from a six-day strike with the same union.

This cost an estimated R780 million in lost production and threatened to hobble vehicle export contracts valued at billions of rands to the UK and Germany markets.

South Africa's seven vehicle manufacturing plants were planning normal production today despite the secondary strike, Brian Smith, the chairperson of Ameo, said yesterday.

Smith said indications from the seven plants were that support for Numsa's one-day strike would be limited.

He said the labour court indicated it was not prepared to entertain the application by Ameo as Numsa had not had sufficient time to consider its position regarding Ameo's application.

"However, the court held that Ameo could bring the application on the same papers on September 2, which would give Numsa sufficient time to consider the matter.

"The labour court did not consider the question as to whether or not the secondary strike was lawful," he said.

Smith said Ameo would make a final decision on whether it planned to bring the application on Wednesday depending on developing events at the seven plants today.

Ameo believed the secondary strike was unreasonable and unlawful, Smith said.

Reuters reports Matthys Strauss, an economist at the South African Chamber of Commerce, said investor confidence in emerging markets was already shaken and the sympathy strike was like "adding salt to the wound".

Unions rally in motor sector strike

BD 1/9/98 (189)

Reneé Grawitzky

THOUSANDS of workers in metal and engineering, vehicle manufacturing and tyre sectors embark on a one-day sympathy strike today to coincide with an "indefinite" wage strike in the motor sector that could hamper service at filling stations.

The wage strike by thousands of workers in the motor sector will involve petrol attendants, panel beaters, and workers in spare parts shops and auto-component manufacturers.

The National Union of Metalworkers of SA's (Numsa's) call for the first national sympathy, or secondary, strike in terms of the new Labour Relations Act has led to fierce employer opposition. There has also been speculation that workers in some sectors might ignore the call.

The Automobile Manufacturing Employers' Organisation (Ameo) and the Tyre Manufacturers Employers' Association failed in their attempts to interdict the sympathy strike in the Labour Court yesterday.

The Labour Court rejected the interdict applications lodged by Ameo and the tyre employers on the grounds that both parties had failed to give Numsa proper notice in terms of the Labour Relations Act.

The act provides that if an employer is given 10 days' notice of an impending strike, the union should be granted five days' notice of the employer's intention to apply for an interdict.

The court found that the organisations had failed to comply with the provision and rejected the applications without considering the cases' merits.

Ameo argued in its affidavit that manufacturers had direct dealings with only a small number of the 18 000 employers covered by the Motor Industry Bargaining Council.

It was wrong to suggest that the organisation could influence these employers and, therefore, the secondary strike was unreasonable.

The counter-argument was that it was unnecessary to establish a relationship with every employer as the primary strike was against all motor sector employers covered by the council.

Effect of motor sector strike not serious — employers

BD 2/9/98 ~~(197)~~ ~~(197)~~ (189)

Reneé Grawitzky

MOTOR industry employers claimed it was "business as usual" yesterday as thousands of National Union of Metalworkers of SA (Numsa) members embarked on a wage strike to force employers to agree to negotiate on actual rather than minimum rates of pay.

At the same time, it seemed there was a mixed response to the one-day sympathy strike by workers in metal and engineering, vehicle and tyremaking sectors.

Production at Volkswagen, Nissan and Mercedes Benz was affected by the strike while a number of tyre and auto component manufacturers were affected.

Brian Smith, chairman of the Automobile Manufacturing Employers' Organisation, said work at Volkswagen's plant in the Eastern Cape started normally, but a large group of workers stopped working after shop stewards advised them workers at all other plants were not at work.

An industry source said sections of the plants at Nissan and Mercedes Benz were also affected.

The minimal disruption to the vehicle manufacturing sector follows a failed bid earlier this week by the employers' organisation to interdict the union. The Labour Court rejected the attempt after finding that employers had not complied with the Labour Relations Act, which requires them to give the union sufficient notice of their intention to apply for an interdict. The same ruling was given to the tyre manufacturers.

The union said the limited action in the vehicle manufacturing sector was caused by confusion over whether the interdict had been granted or not.

Numsa spokesman Dumisa Ntuli said, though, that thousands of workers in the motor sector heeded the strike call. This was shown by the large numbers present at nationwide marches yesterday, the union said.

The motor industry strike involves petrol attendants, panel beaters and workers in spare parts shops and auto component manufacturers.

SA Motor Industry Employers Association (Samiea) spokesman Vic Fourie said employers did not believe the effect of the strike had been dramatic at this stage. But employers would continue watching developments.

Fourie said a countrywide survey of filling stations had found that it was "business as usual".

More than 7 000 workers marched on Samiea's offices in Randburg where a memorandum was handed over to the association to highlight union demands.

The dispute centres on a union demand, repeated in the past, that Samiea agree to negotiate increases based on actual rates of pay. Numsa is demanding increases ranging between 12% and 18% while employers are offering 4,5%.

Iscor workers demand same bonuses managers are to get

(189)

BD 7/10/98

Themba Hlengani
and Pearl Sebolao

THE wave of industrial action continued to grip the country this week, with workers at Iscor's Vanderbijlpark plant threatening another strike today if management did not accede to a demand for a 30% bonus payment.

At the same time, steps had been taken to resolve the week-long dispute between fashion retailer Edgars and the SA Commercial, Catering and Allied Workers' Union (Saccawu). The parties were scheduled to meet today in a bid to find a solution to the strike which has been marked by incidences of violence and has resulted in the arrest of a number of Edgars' employees.

Edgars said yesterday that Saccawu's "excessive" wage demands, which range from 15% to 20%, could lead to the group's demise, as they could not be met without leading to a sharp downturn in productivity.

"If the demands of the union are to be met, the group will certainly have to embark upon yet another round of employee retrenchments to finance the increases demanded," Edgars warned.

The group recently retrenched 1 500 people as part of its restructuring process.

Meanwhile, National Union of Metalworkers of SA (Numsa) spokesman Osborne Galeni said Iscor employees would down tools if today's deadline for the payment of bonuses was not met.

The dispute at Iscor was sparked by reports that senior managers had paid themselves bonuses amounting to R8,9m, without making any provision for ordinary employees.

Iscor spokesman Mitzi Schutte confirmed that senior managers were due to get bonuses, saying the payment of bonuses was part of the company's remuneration strategy and was linked to their performance.

She denied any knowledge of today's "ultimatum" and said a meeting had been arranged for today to discuss the issue with all the unions involved.

Two of SA's platinum producing mines — Impala Platinum Holdings (Implats) and Lonrho Platinum West Plats mine — were severely affected by industrial action yesterday.

Both mining companies were in discussions with unions yesterday.

Iscor men down tools over bonus

(189) ARG 7/10/98

Johannesburg – Workers at Iscor's Vanderbijlpark plant downed tools today after management declined to meet their demand for a 30% bonus.

The National Union of Metalworkers of South Africa, the National Union of Mineworkers, the Mineworkers Union and an alliance of small unions are pressing their demand after revelations that senior Iscor managers are to share a R9-million bonus.

The unions threatened a strike if they did not get a share of the bonus.

Iscor spokeswoman Mitzi Schutte denied that workers had downed tools at Vanderbijlpark.

"There is no strike at Iscor. Union leaders are talking to management about the issue and whether or not there is a strike will depend on the outcome of the meeting," she said.

However, both Numsa and the MWU said production had come to a halt at the plant as from 6am today. The unions also said there were no negotiations taking place on the issue.

Numsa spokesman Dumisa Ntuli said workers had demanded that the 30% bonus be reflected in their accounts by today. When this did not happen, workers downed tools.

The almost R9-million in management bonuses coincided with a severe retrenchment programme which could see 6 000 workers being axed at Iscor's Vanderbijlpark plant alone, Mr Ntuli said.

Iscor said that the bonus formed part of the company's remuneration policy for senior management. – Sapa

Strike in offing at Iscor

By Mzwakhe Hlangani
Labour Reporter

A MAJOR showdown looms between Iscor management and trade unions representing 14 000 workers at the Vanderbijlpark steel plant following the rejection by management of demands by the unions for a 30 percent bonus.

The National Union of Metalworkers of SA, the National Union of Mineworkers and an alliance of small unions have declared a dispute and issued a 48-hour notice to embark on a legal strike tomorrow, spokesman Mr Dumisani Ntuli said yesterday. He said unions were pressing their demand following revelations that senior management had allocated themselves bonuses amounting to about R9 million, but refused to offer a share of the bonus to workers.

Iscor's communications manager Ms Mitzi Schutte has maintained that the payments formed part of the company's remuneration policy for senior management.

Ntuli said Iscor management's decision to pay senior managers "inflated salaries in pursuit of excessive personal rewards, while they continued to slam our demands for reduction of apartheid wage gap differentials, is unacceptable".

The almost R9 million in management bonuses coincides with a severe retrenchment programme which could see 6 000 workers being axed at the Vanderbijlpark plant alone, he added.

Numsa's strike ultimatum

ET (Ma) 13/10/98 (184) (183)

FRANK NXUMALO
AND ROY COKAYNE

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) warned yesterday that about 14 000 of its members at Iscor Vanderbijlpark would embark on industrial action if there was no resolution of the bonus dispute at a meeting scheduled for October 19 at the steel sector's industrial council.

Last week Numsa declared a dispute after management told workers no bonus would be paid to them "in view of the fact that there is already a profit-sharing scheme in operation". Iscor said the remuneration scheme of senior management formed part of their conditions of service.

However, Numsa insisted that, as creators of wealth, workers deserved to be paid a bonus.

"Any performance-based bonus must take into account those who make the wheels of production turn every day — the workers," said Dumisa Ntuli, the Numsa spokesman.

Numsa is demanding that a 30 percent bonus be paid to workers.

ISCOR (189) FM 17/10/98

YET TO SHOW ITS METTLE

But encouraging results so far

Ever since listing in 1989, Iscor has topped the JSE's annual "most active" ranking, by number of shares traded. An issued capital of 2,6bn shares and a wide shareholder base have obviously helped. But consistently high volumes and a surprisingly narrow trading range over such an extended period (the current price of 168c is 32c below the 1989 issue price) indicate deeply divided opinion among investors as to its investment merits.

Truth is, Iscor is difficult to value. In recent years it has undergone a huge culture change, in what may be one of the most comprehensive corporate re-engineering exercises ever by a public company. Up to a point, this may offset the poor track record. But with the programme still three years from completion, its true potential has yet to be proved.

When Iscor came to the JSE it still had the mentality of a public corporation. Since then, however, particularly in the past five years, it has adopted a strong profit-driven business philosophy. One result has been the declaration of open season on once-sacred cows such as the Pretoria steelworks, finally closed last year after a run of losses and a drain on resources that started in the early Eighties.

Apart from eliminating such loss centres, the aim of re-engineering is to reduce what management calls "compressible costs" by 25% in the mining division, and a huge 40% in steel, to bring costs into line with international competition.

The latest annual report tries to give a clearer picture of the "new" Iscor by giving specific details of the targets management expects to attain.

Finance director Malcolm Macdonald says releasing unlocked value has the potential to double ROE from 1998's 9,7% to over 20% by 2001. The report further implies that this could be conservative; it appears to be based on current market conditions, and Macdonald adds that "any improvement in the domestic and international commodity markets will leverage such improvement further".

Chairman Hans Smith is, understandably, upbeat about 1998's 89% gain in headline earnings — the first time since privatisation that Iscor has bucked a strong downtrend in commodity markets. Off an improvement of only 4% in turnover, this shows, he adds, that the benefits of re-engineering have begun to flow through. His forecast that profits will improve further in 1999 is similarly based on the assumption that these benefits will continue to grow as market conditions are not expected to improve materially.

Hans Smith

The main impetus for last year's improvement came from the steel division, where operating profit recovered 320% after 1997's setback, against 36% growth from mining. This restored some balance to the income profile, which now sees 51% (1997: 24%) of operating profit coming from steel, 55% (81%) from mining, and a negative 7% (5%) attributable to head office.

However, both Smith and Macdonald acknowledge that performance is still far from satisfactory. It would be hard to come to any other conclusion, since gross return on capital employed, at around 10%, remains well below Iscor's cost of capital (13,3% in 1998) at a time

ISCOR

SOME SIGNS OF PROMISE

- **ACTIVITIES:** *Mining (iron ore and coal); industrial minerals and steel production.*
- **CONTROL:** *None.*

Year to June 30	'95	'96	'97	'98
Debt:equity ratio	(0,08)	(0,04)	0,04	0,14
Int & leasing cover	7,8	n/a	8,0	8,0
Return on cap (%)	9,5	6,2	4,8	8,4
Turnover (Rm)	11 162	11 421	12 624	13 121
Pre-int margin (%)	10,4	7,2	4,9	9,3
Earnings (c)	34,1	25,0	15,0	28,4
Dividends (c)	16,5	16,5	8,0	10,0
Tangible NAV (c)	316	334	292	300

when there are still heavy capital commitments on a wide front — Saldanha Steel, various new mining ventures and continuing re-engineering projects in both divisions.

Last year's gain did little more than undo the damage of the previous two years. Headline earnings, for example, at R727m, were still R1m below the 1995 figure. The only real improvement over this period is in cash flow, which rose 24% from R1,28bn to R1,6bn.

But it is clear that further improvement will be needed as capex peaks this year, if management's target of a cash break-even is to be achieved. Macdonald gives the 1999 funding requirement as R2,2bn (split fairly evenly between steel and mining), up from R1,6bn in 1998, though sales of noncore activities will pay for some.

Despite heavy capex commitments, the balance sheet so far remains unstrained. Though net borrowings jumped to R1,1bn (1997: R270m), gearing was still under 14%; interest charges were covered a healthy eight times, as in 1997.

What does all this mean for the investment rating? At 168c, the share is at a discount of 40%-45% to the industrial market, depending on whether one uses earnings or dividend yields as the yardstick, and at a similar discount to NAV.

Against this is the potential for glitches in the commissioning of Saldanha Steel, which, in the short term, could throw a spanner in the profit works. On the mining side, an increasing involvement in the Democratic Republic of Congo may also not find universal favour.

But the most important consideration remains whether one believes the benefits expected from re-engineering will materialise. All that can be said is that results so far are encouraging — Newcastle steel works, for example, where the programme is most advanced, was profitable last year despite historically low world prices. This, as steel division MD Louis van Niekerk says, contrasts with the past when Newcastle usually lost substantially at the bottom of the commodity cycle and seldom generated profits even in good times.

If this progress continues, those ignoring Iscor at the bottom of its cycle may have cause to kick themselves. **Brian Thompson**

Iscor unions win battle of the bonus

189

STEEL maker Iscor has capitulated to workers' demands and will pay out R100m in bonuses to prevent a row over management bonuses from escalating.

Louis van Niekerk, MD of Iscor's steel division, said management's decision to provide for the unbudgeted payments was guided chiefly by the threat of "dire consequence" for the SA steel industry had no agreement been reached between management and the unions.

Van Niekerk said the bonuses, which amounted to one month's salary, would be paid at the end of November to steel workers at Iscor's plants at Newcastle, Vanderbijlpark, Vereeniging and head office.

The total bonus debt of R100m would be amortised from savings generated from a substantial reorganisation at the company's steel division.

The settlement, negotiated on Monday between management and representatives of several unions in the metal and engineering industry, follows worker outrage at the recent introduction of bonus payments to Iscor's top management. — Dow Jones.

BD 21/10/98

COMPAN

ISCOR *R100m payment was an advance on first restructuring bonuses*

Bonuses 'will not cost more'

(189) CT(BR) 22/10/98

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Johannesburg — Iscor's R100 million bonus payout to workers, to avert a strike over the prior payment of bonuses to senior management, would not cost the company any more than it had already budgeted for restructuring bonus payments over the coming months, the company said yesterday.

Earlier this month Iscor head office staff launched a brief wildcat strike that threatened to spill over into its steel mills and mines, when it emerged that Iscor management had been paid an R8,4 million performance-related bonus.

The National Union of Metalworkers of South Africa said at the time that the money should have been used to save the jobs of 6 500 workers facing retrenchment.

Louis van Niekerk, Iscor's general manager for steel, said yesterday the R100 million bonus was an advance payment on the first restructuring bonus that would have been paid out at the different plants over the next few months.

"I think it is win-win," he said. "What have we given up? We have given up a bit of interest on the money for the period."

Van Niekerk defended the management bonuses, arguing that senior management were paid about 10 percent below prevailing market rates with the remainder of their packages placed at risk, depending on the group's performance.

He said this was the first time since 1995 that senior management had received performance bonuses.

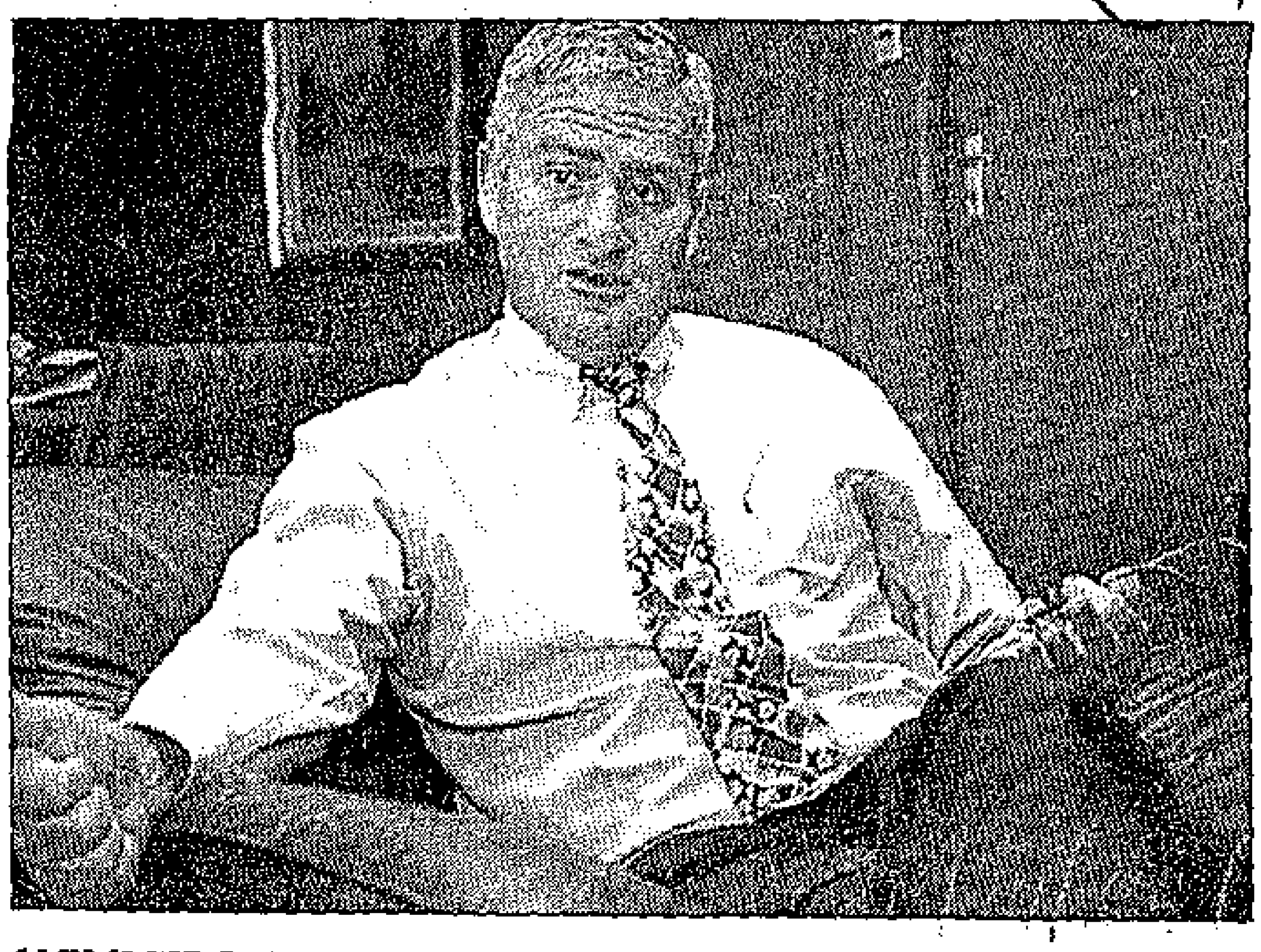
He said even with the benefit of hindsight, he would have made the same decision to pay management bonuses at a time when the group was retrenching staff and restructuring its operations.

"Unless we are competitive with our pay structures ... we will not have young executives attracted to the industry," he said.

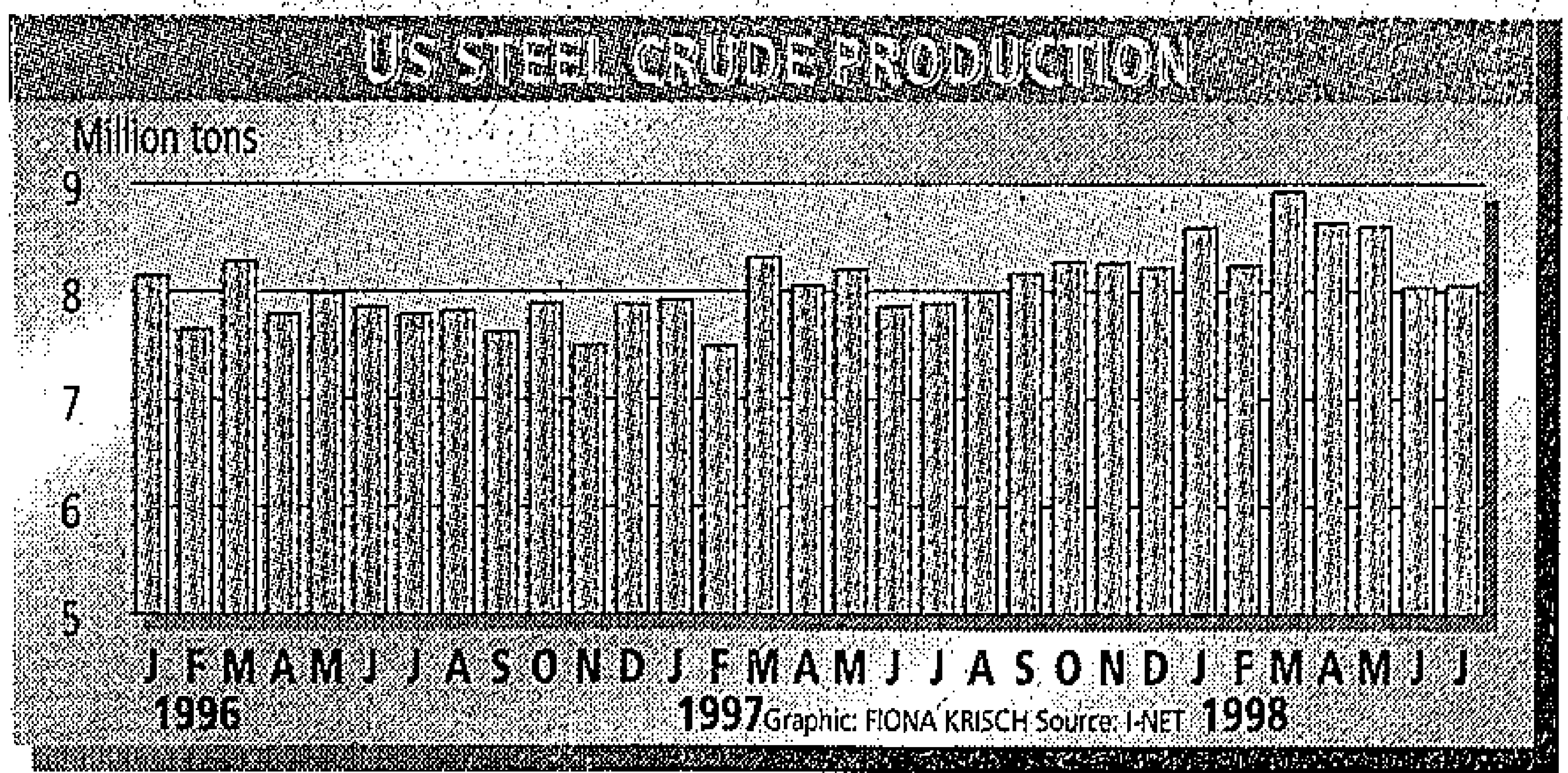
Van Niekerk said the restructuring programme had already yielded R75 million in cost savings in the steel division and savings were expected to total R1,1 billion by 2001.

But he said the restructuring would ultimately entail further retrenchments.

Iscor closed up 9c at R1,52 yesterday on the JSE.



WINNERS ALL *Iscor's Louis van Niekerk believes the bonus payments are a 'win-win' for workers and management alike. All Iscor has given up is a bit of interest* PHOTO: SELWYN TAIT



South Africa in the dock over 'dumping' of steel

ST(BT) 25/10/98 (189)

INTERNATIONAL TRADE

By SHERILEE BRIDGE

SA STEEL producers are in the international firing line again after allegations of heavy plate stainless steel dumping on the European market.

Last month the European Union launched an anti-dumping probe against South Africa and Slovenia.

Europe's move comes on the heels of possible US anti-dumping suits, one of which is still pending, and anti-dumping duties slapped on South African steel producers in an earlier case.

Michael McDonald, head of the Steel and Engineering Industries Federation of SA's economics division, said this week that SA alone was too small to inflict damage to the vast European and US markets. SA produces only 1% of world steel.

The EU has also targeted nine Asian nations, including China, Taiwan and India, while the US has pointed fingers at Japan, Russia and Brazil.

Both the EU and the US believe the massive increase of imports, being sold at slashed prices, was triggered by the global financial crisis.

Anti-dumping fines to punish countries that "dump" their products on foreign markets — that is, sell them at below-cost prices or more cheaply than the home market — were authorised by the World Trade Organisation.

The only condition the organisation imposes is proof that the foreign products are hurting domestic industry.

Dumping cases are expected to increase in the short-term with countries keen to get rid of their share of the worldwide inventory surplus and further drops in consumption owing to the Asian market decline.

World consumption of steel could fall by 1.2% or 9-million tons this year, reports the International Iron and Steel Institute.

Even the exceptional buoyancy of the European and US markets this year will be insufficient to offset the 23-million-ton fall which is expected in Asian consumption, it said.

SA NEWS DIGEST

TARIFFS

(189)

Dumping impels US to announce duties on stainless steel imports

The US commerce department announced on Wednesday preliminary duties ranging from 2,77 percent to 67,68 percent on imports of stainless steel plate in coils from Belgium, Canada, Italy, South Africa, South Korea and Taiwan.

The duties were approved to compensate for steel that had been "dumped" on the US market at unfairly low prices, the department said.

CT (BR) 30/10/98

The department will make a final determination on the duties on January 10, 1999. The Specialty Steel Industry of North America (SSINA) said the preliminary duties confirmed allegations by US steelmakers that the dumping of stainless steel plate in coils on the US market was pervasive. "We expect these margins to go higher after further investigation," a SSINA spokesman said. — *AFP, Washington, DC*

Financial indices at 4pm

- Dow Jones: 7840 Up 113pts
- 32-Day Call Savings: 16%
- Gold Price: $294,50
- Rand/£: 10,12/ 10,15
- Bond Rate: 23,5-24%
- LOANS Maximum Lending Rate: Under R6 000 - 36% Over R6 000 - 33%
- Prime Overdraft Rate: 25,5%
- JSE: 5117 Up 97pts
- Rand/$: 6,01

Boost for engineering sector

(1892E)

By Shadrack Mashalaba

THE development of a strong South African engineering sector with an export focused outlook was taken a step further when the Ministry of Trade and Industry committed itself to the sector's future development.

Speaking at the official launch of Capital Equipment Cluster (CEC), Trade and Industry Minister Alec Erwin said due to globalisation the world economy had changed and this required local industries to change their production process.

Erwin said if South Africa failed, the trading gap with the outside world would widen even further.

The CEC is an association which brings together capital equipment manufacturers involved in equipment exports and imports.

Second fiddle

The CEC was formed because of many years of neglect in the engineering sector which has led to the sector playing second fiddle to its foreign competitors.

Erwin said that the concept of clusters was good for business because it would in 10 years time make South Africa one of the most important exporters of heavy capital equipment in the southern hemisphere.

Sowetan 7/10/98

US imposes stiff dumping duty on steel

BD 4/11/98 (189)

Simon Barber

WASHINGTON — The US commerce department has imposed a stiff 31,8% dumping duty on stainless steel plate exported by Columbus Stainless — far higher than the penalty sought by US producers when they launched the case last March.

The duty is based on calculations of the difference between the transport-adjusted price of Columbus's product in the US and the higher amount it has been charging at home. The duty comes on top of a 2,1% countervailing duty assessed by the department in August in response to allegations that Columbus was receiving unfair government subsidies.

Both duties are preliminary, subject to review by a verification team sent to SA to look at Columbus's books. A final subsidy penalty is due to be announced next week. The department has until January to calculate the final dumping margin. Both duties then have to be confirmed by the US International Trade Commission on the basis of whether the alleged unfair trade practices are actually hurting US industry. Dumping duties were also assessed against producers in Belgium, Canada, Italy, South Korea and Taiwan.

The Specialty Steel Industry of North America, a trade group backing the US companies and labour unions who petitioned for the duties, said it was seeking to have the duties made retroactive. This could be done by convincing the commerce department to rule that US producers faced "critical circumstances".

Columbus is incurring substantial costs defending itself against the dumping and countervailing duty suits even though its exports of the product to the US have been relatively small — 2 386 tons last year, worth $3,35m — representing 7% of total US imports. To be immune from such actions, the company would have to lower its share to less than 3%.

The US industry is gearing up to file a sweeping new round of suits within the next month or so. Iscor's cold-rolled steel is expected to be caught in the net.

Nampak's proposed Crown Cork merger under attack

Numsa braces for battle

(189) CT (BR) 6/11/98

Frank Nxumalo
Labour Editor

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) said yesterday it was "staunchly opposed" to the proposed merger between Crown Cork and Nampak, as it would lead to the retrenchment of hundreds of workers.

Osborn Galeni, Numsa's light engineering sector co-ordinator, said: "We are braced for a major battle with the companies if they continue with their unholy alliance. They have failed to disclose information and discuss their strategic plans with the unions.

"It is the responsibility of the (Competition) Board to look at mergers that will have a dire impact on jobs. We believe there are limits to how far mergers can go; mergers are key components of companies' restructuring strategies to lay off workers,"

Archie Sitole, the Crown Cork spokesman, said the unions had been briefed about the pending merger but that JSE regulations "precluded details with unions".

Sitole said what would happen depended on the Competition Board, which was due to rule next week. As the major shareholder, Nampak would assess the situation and decide on its "capacity" to retain jobs.

Sources close to the union at Crown Cork said the deal would give Nampak respectively a 90 percent and 100 percent market share in the beverages and food canning industry if approved by the Competition Board.

They said this would also mean that Crown Cork was yet another multinational joining the queue of big companies pulling out of South Africa. Skilled black tradesmen constituted 90 percent of those workers facing retrenchments, they said.

The company said its net sales were R328 million from the South African operation alone and R7,1 billion on the African continent last year.

Crown Cork was also allegedly planning to withhold the Christmas bonuses of hundreds of workers who had threatened action if they were negatively affected by the pending merger.

Industry welcomes Numsa's job summit call

BD 16/11/98

Reneé Grawitzky

(189)

METAL and vehicle manufacturing employers yesterday welcomed a call by the National Union of Metalworkers of SA (Numsa) for a sectoral job summit in the wake of continued job losses, saying they would participate in its deliberations.

The union reiterated its call at the weekend for a summit during the first half of next year as jobs continued to be shed in these sectors.

About 15 000 workers in the industry face retrenchment, while Samcor, Toyota and Nissan have unveiled a retrenchment programme which could affect 1 600 workers.

Spokesman Dumisa Ntuli said Numsa's call was in line with a presidential job summit resolution intended to establish a forum to discuss tariff reform, job creation mechanisms and to stem the tide of retrenchments.

A vehicle manufacturing industry source said employers were available for a summit as discussed with the union earlier this year.

He said discussions were held in April/May where employers said they were not averse to a summit. "The ball is in Numsa's court."

Brian Angus, spokesman for the Steel Engineering Industries Employers' Federation of SA, said the parties had set up a forum, as part of this year's wage agreement, to discuss broad economic issues facing the industry.

The parties had met and were trying to establish common concerns regarding the industry which would be presented to government.

Angus said some of these concerns related to government policy.

"Essentially we are talking about the same issues, whether we continue talking in this forum or a sectoral job summit," he said.

Numsa to campaign to fight retrenchments

BD 19/11/98 (189)

Pearl Sebolao

THE National Union of Metalworkers of SA (Numsa) is to embark on a major campaign in the coming year to fight retrenchments.

This comes after huge job losses in the vehicle and engineering sectors this year, with the latest involving three motor manufacturers — Toyota SA, Nissan and Samcor — which will result in 1 600 retrenchments.

Numsa spokesman Dumisa Ntuli said the engineering sector was the hardest hit this year, with 12 000 jobs lost while no new jobs were created.

In the vehicle sector, 5 000 workers were retrenched since 1992 and the pending retrenchments at Toyota, Nissan and Samcor would bring the figure to 3 500 this year, he said.

Ntuli said the union expected more retrenchments next year and was preparing for "a major campaign in defence of our jobs".

No appropriate form of action had been decided upon, but "we'll continue campaigning".

"Even if it means taking our members out in defence of our jobs, we'll do it," he said.

Numsa yesterday met Nissan SA management and is due to meet Toyota today in a bid to stop the pending retrenchments.

The union has also proposed an industry meeting for next Friday where the issue will be discussed. It alleges the three companies have violated the terms of the national bargaining forum agreement with regard to full disclosure of information, consultation, as well as failing to adopt other alternatives to retrenchments.

These include job sharing, the reduction of hours and the scrapping of overtime.

Toyota human resources director Harry Gazendam said, however, that in terms of the Labour Relations Act and the bargaining forum agreement, retrenchments were dealt with at company level.

He said Toyota had followed the procedures "to the letter" and had "consulted extensively with Numsa", but it had failed to present any feasible alternatives.

Gazendam confirmed today's meeting with the union, but said he did not "expect any deviation from the retrenchment plan".

Protective tariff on SA steel exports 'unlikely'

(189)

ROY COKAYNE

Pretoria — Cold water was poured on the prospect of the US putting a protective tariff on some South African steel yesterday by Werner Höne, the general manager market strategy for Iscor Steel.

A newspaper report said the imposition of the protective tariff was being considered following an International Trace Commission (ITC) ruling and a campaign by steelmakers about the potential threat to US steel mills.

The report said the possible tariff tightening came after the ITC voted unanimously that hot rolled steel from Japan, Russia and Brazil was dumped in the US at unfairly low prices.

The ITC was expected to issue a preliminary ruling by the end of the month on whether the US commerce department should put a tariff on foreign steel from South Africa and other countries.

Höne said a specific process had to be followed before such a tariff could be imposed. "No process has started on any steel product from South Africa."

He said the process in the US to obtain protection from imports sometimes took months.

BT (MR) 20/11/98

Anti-dumping claim targets SA

While steel manufacturers have not been a major target of US industry they have drawn the ire of the Europeans

BD 27|11|98 (189)

Tim Cohen

LONDON — European steel makers will today formally file an anti-dumping complaint against SA and five other countries after weathering a year-long flood of cheap steel imports that have turned the European Union (EU) into a net steel importer for the first time.

The decision of the steel manufacturers to persist with their action will undoubtedly concern EU economic policy formulators who worry that a more projectionist stance by the EU could jeopardise the fragile economic recovery among the developing nations.

The European steel industry association, Eurofer, will file its anti-dumping complaint with the European Commission over imports of hot-rolled coil imports from SA, Bulgaria, India, Iran, Taiwan and Yugoslavia today.

Dumping complaints on steel plate, wire rod, cold-rolled sheets are likely to be filed at the end of the year.

Eurofer spokesman Christian Mari said imports from the six countries cited had risen 196 000 tons, or 70%, in the first nine months of this year compared to last year. Exports from the six countries constituted just over 85% of the increase, while SA's portion of the increase was about 10,7% or about 21 000 tons.

Mari said the case against the countries concerned was "incontrovertible", pointing out that the market share of the countries had increased to 15% from 5% during this period.

After the complaint is filed, there is normally a hearing within 45 days after which a formal investigation is likely to be instituted.

This investigation will probably take about six months to complete its work after which a provisional finding will be made.

In the case of Gatt (the general agreement on tariffs and trade) members, if the complaint is upheld, the EU could then impose countervailing duties, which might differ country by country or even company by company.

The main recipients of the new imports of steel into Europe are Italy, Spain and Germany, while by the end of the year the EU will probably have a trade deficit in steel of about 4-million tons compared to a surplus of 13-million tons last year.

The decision of the European steel manufacturers follows similar action by US steel manufacturers who are pressing the US administration to adopt anti-dumping measures against Brazil, Russia and Japan.

The moves come against the background of concern that the US and Europe will endanger the fragile recovery in developing nations if they resort to projectionist measures.

However, industry groups claim the industry is itself to blame because of gross overcapacity, with estimates that excess capacity now constitutes more than a quarter of world production — or at least 250-million tons.

This overcapacity has encouraged some of the countries cited in anti-dumping cases to impose protectionist measures against each other. Both Indian and SA governments have been lobbied to impose duties against Russia and Ukraine this year.

EU, US take a stand against 'cheap' imports

SA is one of six countries linked to the dumping of hot-rolled steel coils in Europe

(189) BD 27/11/98

BRUSSELS — The European Union steel lobby has filed a formal antidumping complaint about EU imports of unalloyed, hot-rolled coils from SA, India, Iran, Taiwan, Bulgaria and the former Yugoslavia, an industry official said yesterday.

The European Confederation of Iron and Steel Industries (Eurofer) filed the complaint on Monday to the EU Commission, Eurofer director Christian Mari said. The complaint could lead the commission to impose anti-dumping duties on EU imports of the product from the six countries.

Hot-rolled coils are flat steel products transformed for use mainly in the automotive and building industries. Anti-dumping duties are meant to counter imports sold at below normal value.

The commission has 45 days to decide whether a formal anti-dumping inquiry is warranted. It would then have nine months to complete an anti-dumping inquiry.

Eurofer said for the imports had caused "serious injury" to EU producers and the amount of imports was 320% higher in the first eight months of the year than in the same 1997 period.

Total EU imports of unalloyed, hot-rolled coils in the first eight months of the year averaged 477 000 tons a month, about half of which had come from the six countries covered by the anti-dumping complaint. Mari said Eurofer was confident the commission would launch an inquiry and find evidence of dumping as a result of its complaint. "We think our case is strong."

Meanwhile, the US steel industry won another battle against cheap foreign imports as the US administration ruled that Japan and Russia might face additional duties for hot-rolled steel imports.

The US commerce department on Monday found that imports doubled over five months as domestic producers were preparing their case to fight the shipments, making importers potentially liable for an additional 90 days of retroactive payments for any future finding of dumping.

The department expects to make a preliminary ruling in mid-February on whether Japan, Russia and Brazil have flooded the US market with steel imports dramatically below production costs or home market prices.

The US steel industry is seeking protection from foreign imports at a time when the Asian financial crisis is sending the US trade deficit to record levels. The Clinton administration is concerned that the battering sustained by US manufacturers will increase demands for protectionism in the US with steel the first of a number of industries petitioning for import relief.

Domestic producers say they cannot compete because of subsidies and other foreign practices that drive down the price of imported steel. — Dow Jones, Sapa-AP.

EU group files complaint concerning steel dumping

(189)

FROM REUTERS

Brussels — An anti-dumping complaint over imports of unalloyed hot-rolled coil steel from six countries had been filed with the European Union (EU) by Eurofer, the European iron and steel industry group, the group said yesterday.

The European Confederation of Iron and Steel Industries said it had complained about imports from Bulgaria, India, Iran, South Africa, Taiwan and Yugoslavia.

"The increase in imports has far exceeded the development of consumption and has caused serious injury to the European producers," Eurofer said.

The European Commission has 45 days to decide if it should investigate the anti-dumping complaint, and up to 15 months after that to decide if punitive duties should be imposed.

Eurofer said the countries mentioned had increased their share of the EU market for hot-rolled coil steel to 15 percent in 1998 from 5 percent last year.

"This rise was only possible by substantial price undercutting and price levels below the normal value for the product concerned.

"As a result of these dumped imports, prices on European markets have fallen substantially."

Complaints involving heavy plate, wire rod and cold-rolled sheet steel were expected.

CT (BR) 27/11/98

SA ECONOMY

Industries out of balance

CT 14/2/97 (BR) (49)

TONY TWINE

The South African economy has, in the statistical description of its composition, several odd looking imbalances in the contributions of various sectors and industries to its economic aggregates.

For instance, the mining sector contributes only about 8 percent of the gross domestic product, but that 8 percent provides the lion's share of exports — nearly 50 percent, depending on global prices and the physical demand for minerals.

There is very little beneficiation of the considerable mineral output, a strategic weakness which will take time and sizeable capital investments to overcome, but which provides a sensible avenue for a rapid increase in the value added in South Africa.

This inequality between the share of production and the share of export value is so large that it affects the comparative shares of other sectors. For instance, virtually a quarter of GDP comes from the manufacturing sector, but it contributes substantially less to the value of exports.

There are strong historic reasons for this particular imbalance — during the years of increasing isolation, South African industry was oriented almost entirely towards import displacement, just in case a sanctions stranglehold on any strategic product or groups of products really began to bite. The heritage of those inward-oriented years is still with South Africa.

Even during the 1960s, one of the few embargoes which did begin to bite at a strategic level was that of arms exports to South Africa. During the second half of that decade, the country's major military equipment was mainly west European in origin. Communication and detection equipment all had origins familiar to the military in the Western world.

We all know how that changed over the next 25 years. From virtually nothing, the South African arms industry has grown into one of the top 10 in the world. What it lacks in mass-production capacity is balanced by the wide variety of military hardware which it offers. For obvious reasons, not much was broadcast about the industry during the laager years, and there was little given away in know-how and techniques. But that game has changed and, much to the chagrin of other global players, South Africa has emerged as an exporter of note.

The South African arms industry has grown into one of the top 10 in the world

What seems to have upset the global military powers has been the countries with which South Africa has come within striking distance of concluding arms deals. In the headlines over the past year have been Syria (tank-firing control systems), Iraq (a bed for tank turrets) and China (radar systems). Middle Eastern countries, which would have previously been supplied out of the arms arsenal of the Soviet Union, must all be looking for alternative sources of military hardware. They are not likely to be able to buy from America or its Nato allies, so why not South Africa?

A National Party spokesman, who presumably knows what he is talking about, last week pointed to the fact that the arms industry is South Africa's single largest exporter of manufactured goods. Once again, this is one of those proportional imbalances to be found in the economy. Insiders say the defence industry is made up of about 700 individual companies, the majority of which are quite tiny. Its value and volume of production is certainly not in the class of domestic industrial giants like the chemical and motor industries, but it enjoys a disproportional large share of manufactured goods.

The country's industry was oriented almost entirely towards import displacement

Political and diplomatic pressure, couched in terms of morality, is already being exerted on South Africa to select its arms export agreements with greater discretion. But it is arguable whether there is any morality in arms manufacturing or trading whatsoever. Some may go so far as to say that it is a totally immoral business, but the term amoral offers itself as a less prejudicial and realistic alternative. If South Africa does not supply, somebody else will, possibly illicitly. The US, whose legal system apparently attempts to entrench its questionable moral high ground on dealing with arms to Middle Eastern countries in particular, does not have a proud record of containing arms supplies itself. Just ask Oliver North.

Apart from reports that there were three European countries also bidding for the Syria tank-system deal, yet another crept out of the woodwork just as the fuss was cooling down between the US state department and South Africa. But the most recent rumour asks us to believe that an American concern may be bidding as well. Surely not. That would be immoral, would it not?

☐ *Tony Twine is an economist at Econometrix financial consultancy*

Engineering firms face tough times

Sowetan 2/12/98

(189)

SOUTH African engineering companies are searching for business abroad because conditions at home are tough and made worse by non-payment by the Government which has commissioned, and then cancelled, some very big projects.

South African Federation of Civil Engineering Contractors (Safcec) executive director Henk Langenhoven said the industry, which employs more than 77 000 people, was also reeling from a sharp decline in tendering activity.

"Members are moving out into Southern African civil engineering markets," Langenhoven told Reuters.

"The value of work done outside South Africa amounts to 15 percent of total domestic industry turnover.

"This is a significant portion," he said, adding that this push abroad had helped companies lift order books compared with last year.

Barlows Ltd, one of the country's largest engineering companies with an annual turnover of R20 billion, said when it reported year-end results on November 16, well over half of its earnings come from offshore business.

It said that there was great potential for the country's engineers to grow abroad and particularly in Africa.

Langenhoven said non-payment by the Government for work done, cancellations of contracts and a decrease in the volume of tenders, were threatening the viability of many firms.

The Government constitutes 80 percent of the civil engineering industry's client base.

"The problem of non-payment for services is very serious and threatening the viability of the companies involved," he said

Although figures were not immediately available, Langenhoven said there were "many companies which went under because they were not paid".

Cancelled contracts

"Literally, one in every 10 contracts is cancelled ... we are talking about between R400 million and R600 million of market value.

"It's more serious for consulting engineering firms. They design the job and the project is just cancelled and they are not paid."

According to a survey conducted by Safcec this year, many local, provincial and central government contracts were being cancelled because inexperienced and unskilled people were put in charge of projects.

Langenhoven said tender activity slowed down dramatically during the first half of 1998 compared to the same period last year.

With a recession looming next year, fewer contracts and tenders were expected to be awarded, and massive job losses could not be ruled out, he said. – *Reuters.*

Board recommends veto of Nampak merger plan

(189) BD 2/12/98

Amanda Vermeulen

THE Competition Board has recommended to Trade and Industry Minister Alec Erwin that the proposed merger of Nampak's metal packaging business with US-based Crown Cork be vetoed.

The board said the deal, announced in August, would give Nampak 100% of the SA food can market from 87%.

The board declined to comment yesterday, saying details of the investigation would be made available today, once Erwin had a chance to go over its report.

Nampak chairman Brian Connellan said the decision was disappointing as both parties were keen to carry out the deal, but all was not yet lost.

"The Competition Board, while recommending against the merger, has suggested that Nampak and Crown Cork make direct approaches to the minister to discuss the matter further." Erwin is not bound by the board's ruling and can overturn the recommendation if he deems it to be in the public interest.

Connellan could not say when talks with Erwin would be held. He had to confer with Crown Cork, which had its head office in Philadelphia.

The board's recommendation comes as a blow to Nampak, as a merger could have significantly enhanced earnings. About 30% of the company's profits are generated from its canning operations.

Headline share earnings in the year to September came in at 112c from 106c the year before. Attributable profit was R572,9m from R547,1m.

Had the deal been approved SA would have been left with only one producer of food cans and two of beverage cans, and Nampak would have had a controlling interest in the entity. Its share of SA's beverage can output is estimated at 74%; after the merger it would have been 91%.

Analysts said Nampak was under pressure as many of its business were geared to the slowing economy. "But there are still a number of positive strategic moves under way, and I do not foresee a decline in earnings," said one analyst.

Nampak buying spree: Page 17

Iscor cuts exports as steel prices sink

(189)

EU Commission probes subsidies of beleaguered industry

BD 8/12/98

David McKay

ISCOR, SA's largest steel exporter, has slashed exports by 10% in the last two quarters following a one-third decline in the prices of certain lower value products.

The Asian economic crisis and a prolonged trough in steel prices have placed pressure on SA steelmakers including Iscor rival Highveld Steel & Vanadium which is reported to have closed two of its seven steel processing furnaces.

Further pressure on SA steel export sales was possible according to a Bloomberg report last week which said that the federation of European steelmakers, Eurofer, had asked the European Commission to investigate whether SA, India and Taiwan were unfairly subsidising their exports.

This follows a rash of market-protection measures by US and European steel producers which have been applying to their respective governments to punish the importation of low-priced steel which they believe is unfairly forcing them out of the market.

Iscor Steel's GM for marketing strategy, Werner Höne, said that no complaint had been received from Eurofer so far and that Iscor was not being subsidised in any case.

However, Höne said that Iscor had virtually stopped all exports of steel billets, a steel product which is supplied to downstream steel fabricators who roll the product further. Iscor normally exports between 200 000 tons and 250 000 tons of billets a year.

Prices for the lowest grade version of the product had fallen to $140 a ton from about $200 a ton in the past 18 months.

Höne said that if prices fell further, Iscor would consider cutting back its exports of hot-rolled coils which comprised a large portion of total exports. Iscor exports about 2-million tons of steel a year.

Last year, Iscor cut back on hot-rolled products, closing a mill at its Vanderbijlpark works. The group has also stopped exporting steel slabs and pig iron.

Bloomberg quoted Dan Horowitz, a partner at Brussels-based law firm Theodore Goddard, as saying that Eurofer had complained to the commission, the European Union's executive arm, over exports of hot rolled steel coils used in construction, cars and appliances and was a key grade of steel.

If the commission investigated the allegation and determined that steelmakers in these countries were unfairly advantaged, it could impose duties to inhibit cheap imports.

Iscor recently opened a 1,25 million-ton-a-year hot rolled coil plant at Saldanha Bay in a 50-50 joint venture with the state-owned Industrial Development Corporation (IDC).

Earlier this year, US steel manufacturers complained that the IDC's involvement in metal projects constituted a subsidy.

They also complained that the SA steel company was given unfair tax breaks.

MANUFACTURING - ENGINEERING

1999

Trading woes in engineering sector to persist this year

Sibonelo Radebe (189E)

TRADING woes that have led several companies in the engineering sector to issue profit warnings are expected to persist throughout this year with analysts forecasting a possible turnaround next year.

However, the analysts warned that recovery would come only if there was a turnaround in local economic fundamentals within the next 18 months — more particularly a decline in interest rates and reasonable pick-up in gross domestic product.

SG Frankel Pollak engineering sector analyst Mark Ingham said the industry would remain depressed this year and companies totally exposed to local economic fundamentals would be hard hit.

He said the tough conditions of the 1990s could turn out to be a blessing in disguise. Since SA had re-entered the global market in about 1994, local companies went through a wave of restructuring and rationalisation and have entered the world market in numbers, a process Ingham said was "long overdue".

Companies which had reduced their dependence on the local market would get relief from their offshore activities. They would benefit from dealing in first world currencies free from emerging market volatility.

Bill Cooper, CE of Dorbyl and president of the Steel and Engineering Industries Federation of SA (Seifsa) said local trading conditions had been deteriorating in the past 10 years. He said there were no prospects of sales growth in the short to medium term.

"In this condition, companies had no choice but to seek growth opportunities offshore," said Cooper. He warned that the country's economy stood to suffer in the process of companies refocusing on offshore markets.

Employment in the steel and engineering sector declined almost 50% in the past 10 years he said.

Dorbyl, which an analyst said could brush off the effects of the current downturn, is among the companies that have refocused offshore. The group is expected to generate about 50% of its income outside SA.

The group went through a major restructuring process and acquired a US roofing company, Alpine, earlier in the year. Alpine is expected to lead the group's offshore expansion plans.

ING Barings analyst Brian Rainier said: "Dorbyl was likely to survive the local depression with earnings growth in the medium term as a result of benefits accruing from its offshore activities."

Electronics group Reunert, which analysts said was tied to the engineering sector, was also emerging out of the downturn as a totally different company.

After a major restructuring process the group reduced its dependence on orders from the SA National Defence Force and staged a turnaround, raising headline earnings 60% to R211,1m in the year to last September.

Murray & Roberts, which has also established itself in the global market, issued a profit warning late last year.

BD 28/1/99

Engineers in the doldrums

By Mongwadi Madiseng

DEPRESSED economic conditions and a slow-down in infrastructural development have put the consulting engineering profession in crisis, according to the South African Association of Consulting Engineers (SAACE).

SAACE president Pieter Conradie said yesterday that among other factors contributing to the crisis was the cutback in infrastructural expenditure by the Government.

Government contracts had reduced from 70 to 50 percent while the depressed economy had severely reduced appointments in the private sector. To revitalise the the industry, the association has developed a Vision 2000 think-tank to generate ideas.

Options mooted were to investigate the feasibility of a "school of consulting engineering" to contribute to the empowerment of South Africa's people in engineering and technology.

"The concept of the school will be to provide seminars and training workshops on issues like budgeting and the capacitating of local government employees."

Conradie said the association should be providing its members with global marketing skills and lobby the government to provide support for expert professional incentives, as well as lobby funding agencies such as the World Bank and African Development Bank to utilise local consulting engineers for smaller projects.

The association confirmed that of the R16 million budget allocated for educational bursaries, 52 percent was granted to previously disadvantaged individuals.

More women are taking up engineering

By MOIPONE KOMANE

ELECTRICAL Engineering, which was previously a male domain, is undergoing a major change.

The head of the department of electrical engineering at the Witwatersrand University, Prof Charles Landy, says many of today's women students are finding a challenging and rewarding career in electrical engineering and the information and technology (IT) industry.

(189E)

Landy says many of their women students have said they view electrical engineering as a useful and challenging profession which could benefit from their involvement.

"Currently 36,9 percent of our 400 undergraduate electrical engineering students are female and this figure is growing," adds Landy.

"It is a trend that we fully encourage.

"The department will soon introduce an information engineering option with a degree programme."

Landy said many South African schools are not keeping up with international trends, as they do not inform their pupils of the opportunities when considering electrical engineering as a viable career option. He says it is a perfect career option for female students who do well in maths and science in matric.

"We have found that our undergraduates are often in the top 10 percent of the class," Landy says.

"Also, the high standard maintained by our department has attracted overseas corporations, as well as leading local financial and engineering companies to come and recruit our electrical engineering graduates."

CP 4/7/99

He says a US-based instrument company, which was recently on a recruiting drive at Wits, remarked on the high calibre of the students and said they were particularly impressed with many of the students they spoke to.

■ See Picture on Page 5

'Sweeteners' by civil engineers to end

(189E) ARG 11/9/99

STAFF REPORTER

Ox braais for local councils, donations of cellphones and clothes to councillors and payment for meetings are among the unethical marketing practices employed by civil engineers who are desperate to secure work in tough times.

But the days of bribes and sweeteners are numbered.

The South Africa Association of Consulting Engineers (SAACE) has gone on an aggressive drive to stamp out corruption and has warned members who breach professional ethics that they will be investigated, publicised and expelled.

The association represents 80% of consulting engineering firms.

SAACE president Pieter Conradie told the Southern Cape branch of the association that the consulting engineering industry was experiencing the worst economic conditions in more than 15 years.

"It is not an overstatement when we say that our consulting engineers are in crisis," he said. He cited the slow payment of fees by government departments and private clients.

Mr Conradie said public-sector cutbacks on infrastructure projects and maintenance of existing facilities seriously affected the construction industry and civil engineers.

The private sector was careful not to invest in fixed assets such as building projects, because of the high incidence of crime, the high interest rates and rigid labour relations.

"With this background, our engineering profession is under severe threat.

"Of the 14 700 registered professional engineers, 2 000 are not working as engineers, 2 000 are out of work and 1 500 have left our country."

He said SAACE was taking stock and defining new directions by developing Vision 2000, which would create a pro-active partnership with the government; draw environmentalists, architects and quantity surveyors into the association; start a School of Consulting Engineering; and help association members to capitalise on contracts and other opportunities abroad.

Role engineered for SA women

(189E)

SOWETAN 14/9/99

By Mongwadi Madiseng

ROLES South African women will play in future will certainly change with the launch of Eskom's R5 million programme to help the country's advancement of women in the engineering fraternity.

Speaking at the launch of the chief executive officer's programme yesterday in Johannesburg, Eskom chairman Ruel Khoza, said the programme was a way of breaking down racial and social preconceptions which hindered women from advancing into the technical field.

Khoza said racial and gender inequalities in the workplace could be overcome only if mainstream business had the will and commitment to throw its financial weight behind projects such as this.

"By the time selected people complete their 18-month full-time study, they will be well versed in many aspects of Eskom's business and have the confidence to assume leadership roles in their respective work environments," he said.

The programme will be run in conjunction with Morgan Alliance University and University of Warwick.

Khoza said the programme was geared to produce female role models with leadership, social and skills along with technical competencies in engineering.

Public Enterprise Minister Jeff Radebe, speaking at the launch, highlighted the need for companies to proactively seek ways of obtaining equity not only in their staff composition, but in all the professions underlying their core businesses as well.

Correct the shortage

Radebe added that initiatives such as these could correct the shortage of technical and management skills in the market place which businesses are searching for.

According to Eskom spokesman Peter Adams, 20 women candidates – most of whom are black – have been selected out of more than 160 applications.

He said apart from this programme, his company had currently allocated R400 million towards the education and training of people in relevant fields of study.

SA joins world engineering contractors' body

ET (BR) 5/10/99 (189E)

Adele Shevel

George – The South African Federation of Civil Engineering Contractors (Safcec) had agreed to join the Confederation of International Contractors' Association (Cica), Graham Power, Safcec's president, said yesterday.

Cica represents 76 countries with construction turnover of $3,5 trillion.

South Africa is the first independent country to be included as countries are normally included on a regional basis.

Power said Cica would use it as a springboard into the southern African region, and discussions would take place with neighbouring countries in this regard.

He said 25 percent of the total turnover of construction companies in South Africa was spent beyond its borders, mainly in the southern African region.

The agreement would improve the link-up with international financial institutions because of Cica's connections with the World Bank, for example, Power said.

"It gives us access to a club."

Eric Lepage, Cica's executive director, said it had connections with all the important financial institutions.

A South African representative still has to be appointed.

Stella Sigcau, the minister of public works, said the department was meeting this week to discuss concerns from industry. One of the objectives was to organise a council for the construction industry on a more formal basis than at present.

Engineers told they must 'adapt or die'

(189E) BD 19/10/99 (248)

Sector must be changed to reflect demographics

Sibonelo Radebe

THE annual convention of the SA Association of Consulting Engineers, which started in Pilansberg in North West yesterday, was a reminder to the consulting engineering sector to adapt to the changing environment of business.

The message from speakers was "adapt or die". Most speakers, including Johannesburg city manager Ketso Gordhan, the MEC in the office of the North West premier, Jerry Thibedi, SAB corporate affairs director Vincent Maphai and LTA MD Frank Crowley set challenges for members.

These varied from transforming the sector to reflect the demographics of SA, to becoming globally competitive.

Noting the few black faces at the convention, Thibedi said the consulting engineering sector was still predominantly white and the association should work towards redressing this.

He said consulting engineers should volunteer to train people from previously disadvantaged communities.

The consulting engineering sector occupied a crucial position in the struggle for economic development and the country could not afford to export engineers.

Crowley said local companies should take advantage of the booms taking place in Botswana and Lesotho.

Despite the war in the Democratic Republic of Congo and surrounding areas, southern Africa posed enormous growth opportunities for construction companies, including engineers.

Crowley warned of the need for companies to keep apace with the changes brought by the "information revolution", or become obsolete.

Lack of black engineers 'delays transformation'

(189E) (248)

Sibonelo Radebe

THE scarcity of qualified black engineers would delay redressing racial imbalances in the consulting engineering sector, the SA Association of Consulting Engineers (SAACE) said yesterday.

The statement was made during the second day of the SAACE convention held in Pilanesberg in North West and followed concerns raised by several stakeholders, including government, about the slow pace of transformation in the sector.

SAACE's newly elected president, Ivor Evans, said the shortage of black consulting engineers should be addressed from secondary school level and treated as a long-term project.

He said SAACE would help raise the number of black students enrolled in the faculties of engineering at tertiary level. This would require financial resources to run workshops at secondary level both for teachers and students.

SAACE contributes about R16m a year to sponsor engineering students from previously disadvantaged backgrounds and run a School of Consulting Engineering which teaches students about the profession.

Ninham Shand's human resource director, Andries Claasens, said SAACE should put more effort and mobilise more financial resources to play a more effective role in redressing the racial imbalances in the sector.

Claasens said companies should stop seeing labour law as an obstacle to business. Most of these laws were meant to entrench SA's constitution which sought to end inequality and marginalisation.

Launching a new mission statement for SAACE, Evans said SAACE has recognised that it had a significant role to play in the development of SA. "Services offered by our members are both relevant and essential".

"I am confident that members of SAACE will accept the challenges which are evident and we will indeed be in the forefront of executing these tasks on a national scale," he said.

BD 20/10/99