MANUFACTURING - METAL PRODUCTS

1998

Stainless steel competition stiff

(189)

Lucia Mutıkani BD 15/1/98

FACTORS outside the control of SA's stainless steel industry had affected its competitiveness last year, the Industrial Development Corporation (IDC) said in a cluster study report on the sector.

These included the premature phasing out of the general export incentive scheme, and expensive and inflexible Portnet charges The IDC identified the lack of export incentives, the high cost of environmental protection and relatively high taxation as some of the factors that could knock the country's competitive edge in future

Regarding the bulk container industry, it said local manufacturers of certain stainless steel transportation products had been global leaders in price and volume terms.

However, while investment in tank containers had been one of the few options available to SA investors wanting to own rand-hedged assets, the relaxation of exchange controls had increased alternatives.

Stainless steel dumping probe findings delayed

(189)

Lucia Mutikani

THE Board on Tariffs and Trade, which is investigating allegations of large-scale dumping of stainless steel hollow ware, was expected to release its findings in the next few weeks, Southern Africa Stainless Steel Development Association executive director Dave Slater said yesterday. BD 9/1/98

He said findings of the investigation, which were expected to be released this week, had been delayed by the Christmas break

Late last year, the body petitioned the board to investigate claims of excessive dumping of stainless steel hollow ware in SA

Slater said stainless steel products were coming into the country at less than the local cost of raw material

"Hollow ware from Hong Kong, the People's Republic of China, the Republic of China and the Republic of Korea has been having a disastrous effect on the local stainless steel hollow ware industry," he said.

"The total value of imports during 1996 was R60m, more than 50% of which was dumped

"The cost to the country is probably double that figure, if one takes into account lost jobs and missed opportunities both within and among suppliers," Slater said

SA lifted steel output 6,6% — estimate

(189) BD 19/1/98

David McKay

SA's steel industry is likely to remain outside the top 20 of the world's largest crude steel producers but will have lifted its output for last year, according to a preliminary report by the International Iron and Steel Institute

Total steel output in SA is estimated to be 8,53-million tons, a 6,6% increase on volumes for 1996

The institute's figures are extrapolated from known volumes between January and October last year

However, SA remains the 21st largest crude steel producer, edged out by Australia which is expected to be ranked twentieth, having produced 8,57-million tons last year

Both Australia and SA are, however, still well behind the world leaders, with China controlling about one-eighth of the world's annual total output of 800-million tons

China produced an estimated 107-million tons of crude steel last year, followed by Japan (105-million tons), the US (96-million tons) and Russia (47-million tons)

Regionally, Asia produced about 321-million tons, 7,5% more than in 1996, followed by Europe which produced 8% more, at about 210-million tons

Next comes North America at 112-million tons, the Commonwealth of Independent States (78-million tons), Latin America (52-million tons), Africa (13,5-million tons) and Australasia (9,4-million tons).

Standard Equities analyst Andrew Jones said at the weekend that Asia — despite its economic problems — would continue to increase consumption for steel This was because of its capacity for car making

In China, for example, steel consumption is expected to grow 5,4% from 1996 to 2000, according to the institute.

This would be about 120-million tons in 2000, possibly rising to 145-million tons by 2005

There will, however, be a marginal 0,2% decline in Japan during that same period.

African steel consumption is expected to rise 2,7% between 1996 and 2000 or to 16-million tons from 14,4-million tons.

However, the largest increase in steel consumption is in Latin America which will rise 6,4% to 31-million tons in 2000

SA's steel output is dominated by Iscor which produced 5,3-million tons of steel in its 1996/97 financial year, a 1% increase on the previous year.

Iscor's steel division, though, suffered a two-thirds drop in net operating income because of depressed markets and production glitches at Vanderbijlpark.

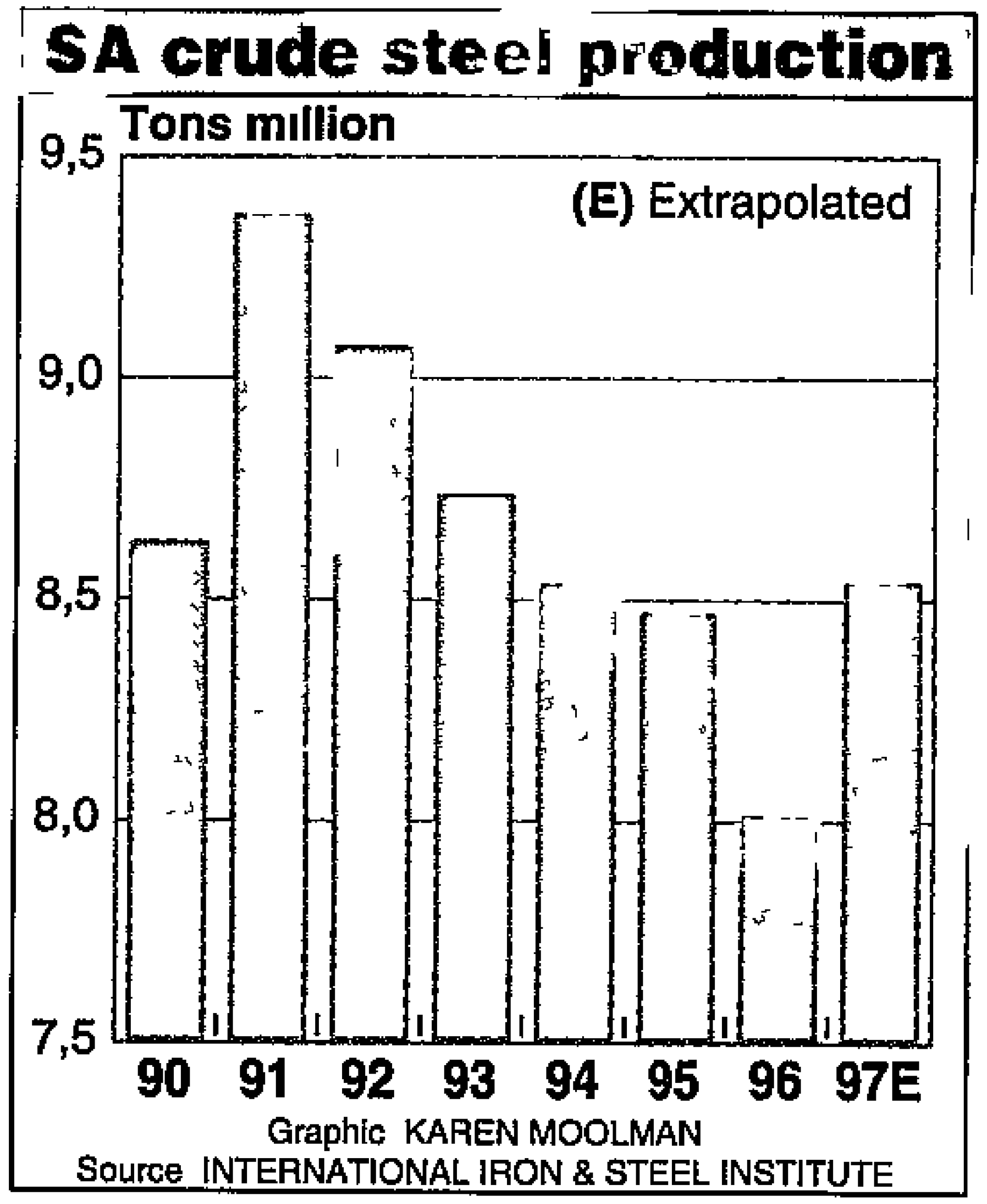
Deutsche Morgan Grenfell's Rowan Goeller said prices for steel were unlikely to help Iscor this year

European prices for hot-rolled steel, which are about $348/t could fall to less than $300/t by the end of the year.

"We are concerned for Iscor as trading conditions are likely to hurt them," Goeller said

SA's other main steel producer is Highveld Steel & Vanadium — which has a steel-making capacity of about 1-million tons

This was small, but the company's revenues were largely derived from vanadium production.



Graphic KAREN MOOLMAN
Source INTERNATIONAL IRON & STEEL INSTITUTE

Metals producers need survival strategies

BD 22/1/98 (189)

Base metal prospects have changed dramatically since the Asian crisis took hold, writes Kenneth Gooding in London

THIS year's Financial Times poll of metals analysts makes depressing reading for producers: all have lowered their forecast average copper and lead prices, and most expect nickel, tin and lead prices to fall

However, nearly half suggest average aluminium prices will be higher, and, without exception, they say it is virtually impossible to make decent forecasts because of the rapidly changing conditions in Asia

Amy Gassman at Goldman Sachs in New York revised her forecasts after visiting Asia and finding sentiment much more depressed than she expected

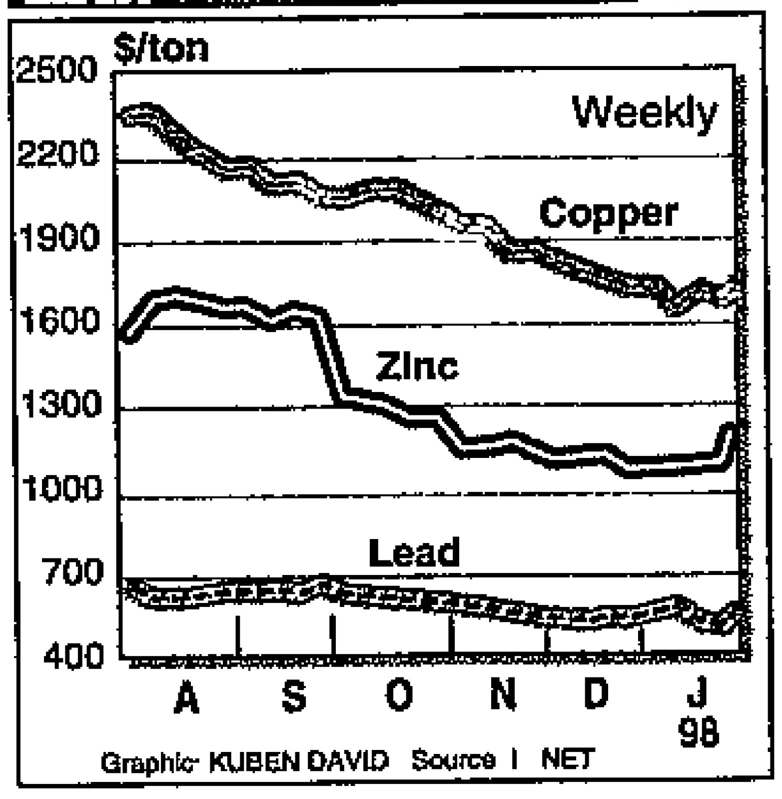
Nick Moore at Flemings Global Mining group insists that the Asian economic "maelstrom" is the biggest threat to metal markets since the dissolution of the Soviet Union

"This time, the sudden loss of metal demand threatens to propel markets back to supply surpluses," he said

Aluminium is the exception for many analysts Annemarie Gardner at ABN-AMRO Hoare-Govett says stocks are close to critical levels, the physical market is tight and there is likely to be a shortage if the US continues its rapid growth

"Premiums in the physical market already suggest there is

Copper, zinc & lead LME prices



a shortage of metal, though the bearish perception of the market is keeping the price at current low levels," she says.

Prospects for other base metals changed dramatically as the Asian crisis took hold

Alan Williamson at Deutsche Morgan Grenfell says that in June he was expecting all London Metals Exchange prices but copper to rise this year Since then he has "aggressively downgraded" those forecasts, cutting his copper forecast from $1,70 to 82c a pound, aluminium's from 85c to 70c and nickel's from $4 to $2,79

"The changes in metals demand that will be caused by the Asian crisis will swing most metals into supply surpluses and that makes a big difference to prices," he says

Martin Squires at Rudolf Wolff estimates that, if there is zero growth in Asia this year, the aluminium market would swing from a a supply deficit of about 280 000 tons to a surplus of 70 000, copper's surplus would jump from 348 000 to 603 000 tons, lead's would rise from 40 000 to 75 000 tons, nickel's from 12 000 to 25 000 tons, while zinc's supply deficit would be reduced from 154 000 to 48 000 tons

Analysts agree metals producers will be slow to react to lower prices "So far there have been few signs that the producers will respond by quickly curbing their production," says Neil Buxton at Metal Bulletin Research. "This is in line with their behaviour in previous economic cycles Somewhat perversely it is often the lower cost producers which make the first and most significant cuts"

Moore says "Producers tend not to cut output voluntarily, but hunker down in the hope that someone else folds first."

Macquarie Bank's Adam Rowley says the outlook for copper depends on how quickly production cuts are made

"A promising factor is that most producers are under-hedged, but a worrying sign is that the new capital-intensive copper projects are low cost and will try to expand output to service debt repayments"

Gardner suggests the Asian turmoil has longer-term implications for copper "Producers have justified a continued high level of investment in new projects on the basis of an extremely positive demand outlook in Asia — forgetting the impact of the new capacity coming on stream in recent years has been offset by major production disruptions in Zaire, Zambia, Papua New Guinea and the US. The scale of these disruptions is unlikely to be repeated"

Moore says, except for aluminium, most mining companies "face at least three years of oversupply What are now needed are survival strategies" — Financial Times

CAPE TIMES
WEDNESDAY, FEBRUARY 4, 1998 ★

'DAMAGE COULD RUN TO R1 MILLION'

Saldanha workers go on the rampage

CT 4/2/98

(189)

POLICE SAY that damage caused by workers at a West Coast construction site yesterday could be as much as R1 million. **MELANIE GOSLING** and **ERIC NTABAZALILA** report.

THOUSANDS of workers went on the rampage at the Saldanha Steel construction site on the West Coast yesterday, stoning staff and setting buildings and vehicles alight after a group of them had apparently been fired

Saldanha Steel management said last night it was too early to estimate the extent of the damage, but police said it could run to R1 million

Three vehicles were burned, a staff canteen, computer room and security post at the gate were gutted, the plant's main-frame computer was seriously damaged, and building plans went up in smoke Several "minor injuries" were reported, no arrests were made

Saldanha Steel project director Mr Ben Nel said "It was horrifying, with the staff forced to hide behind their desks The fire brigade and police were called but the fire brigade could not do anything as the situation was too terrifying " He said the damage was done by about 2 000 to 3 000 workers

Police spokesperson Inspector Johan Loubser said members of the public order policing unit were called from Paarl to control the crowd and the SA Navy was brought in to help the local fire brigade douse the burning buildings

Loubser said "The computer room and the kitchen were burned Several people who didn't join in the strike were stoned Things calmed down by late afternoon "

Nel said the trouble started when about 20 workers were told they were to be "demobilised" The 20 had then "instigated the other workers", telling them they were all fired The workers then marched on the company offices in their thousands with a list of demands

But, Nel said, it was company policy not to negotiate with the body of workers, and they were told to return to work, and leave their representatives behind to negotiate with management

According to worker representatives, employees' major gripes include poor working conditions and below-standard accommodation and food

They were also annoyed that while the company was allegedly deducting tax, it had not registered the staff with the Unemployment Insurance Fund (UIF)

One staff member, who did not want to be named, said the strike had been triggered when CBI Construction, working on the Saldanha Steel site, "fired" about 20 workers

"The other workers got really angry They started grouping Management made the mistake of telling all the supervisors and foreign workers to group in one area, so they became targets

"CBI is an American company and they've got a lot of foreigners working for them — Turks and Filipinos — which also makes the (local) workers angry

"Then the crowd started moving towards the Corex structure, where there were about 100 staff in white hats, supervisors and foreigners, mainly We were told to move behind a crane and a large truck, but the crowd came towards us, throwing stones "

The man said he marched with the workers until he could sneak away on the back of a bakkie

Nel said the company would be closed last night and today Management intended to hold a news conference at 11am today

Stainless steel exports shoot up 500%

Ncaba Hlophe CT (BR) 29/1/98 (189)

Johannesburg — Government incentives and advanced technological expertise boosted South African exports of stainless steel fabricated products to 30 000 tons worth R525 million last year, Dave Slater, the chief director of the Southern African Stainless Steel Development Association (Sassda), said yesterday

This was a 500 percent increase from the 5 000 tons worth R50 million exported in 1991, and created an average of 2 000 jobs

"We are on track to achieve our objective of 100 000 tons of locally produced stainless steel for local conversion by the year 2000," Slater said.

The exports of stainless steel products were expected to top 35 000 tons this year, which would represent 35 percent of the conversion of stainless steel in the country

"A range of products are proving successful, including tank containers, pipe and automotive components, products for the catering industry as well as process equipment," Slater said

Sassda formed a new business development unit this year to help exporters with research and marketing and to bring them together to consolidate their penetration of overseas markets

The new sector will be headed by Scott Hously, formerly the marketing development manager at Columbus Stainless Steel

"More companies are realising the benefits of working with stainless steel and it all points to a very positive year ahead," Slater said.

Cuts in duties boost electronics industry

Foreign tourists scoring on VAT

ARG 2/2/98 (189)

LLEWELLYN JONES
BUSINESS REPORTER

The consumer electronics industry is thumping ahead at full volume – boosted largely by reduced import duties and the strong possibility of at least one or two interest rate cuts this year, says Hicor managing-director Renier van Rooyen.

Hicor retails upmarket consumer electronics and camera equipment through its Audiovision and Audiolens stores

Mr Van Rooyen said Hicor had had an "amazing" Christmas, with sales 22% up on the previous year The phenomenal sales growth had continued into January.

Mr Van Roooyen said television sets had proved to be one of the fastest-moving items

The company had also sold "quite a few" home theatre systems These are big-ticket items which sell for anything between R30 000 and R100 000

Mr Van Rooyen ascribed much of the pick-up in business to falling import duties "We had another drop in import duties at the beginning of October, making these items much more affordable," he said

Duties on loudspeakers and video recorders had fallen away entirely, while duties on video machines and hi-fi components like amplifiers had dropped to 15%

Mr Van Rooyen said duties on TV sets and all-in-one hi-fi systems were still relatively high at 30%

He noted that the prices of items like video cameras were now very much on par with overseas prices

"We have quite a few tourists buying video cameras at our Waterfront store and claiming back the VAT when they leave the country "

Mr Van Rooyen said the upswing in the electronics business, with growing exports from subsidiary Allwear, the school- and menswear manufacturer, should easily see net profits rise by 50% in the current financial year to March

He also expected that talks with two black empowerment groups which wanted to take a stake in the company would soon be concluded

ROY WIGLEY

Wrecked. Saldanha Steel managers inspect some of the damage caused to the construction site after workers went on the rampage

Rampage leaves swathe of destruction in its wake

ARG 4/2/98 (189)

JOSEPH ARANES
STAFF REPORTER

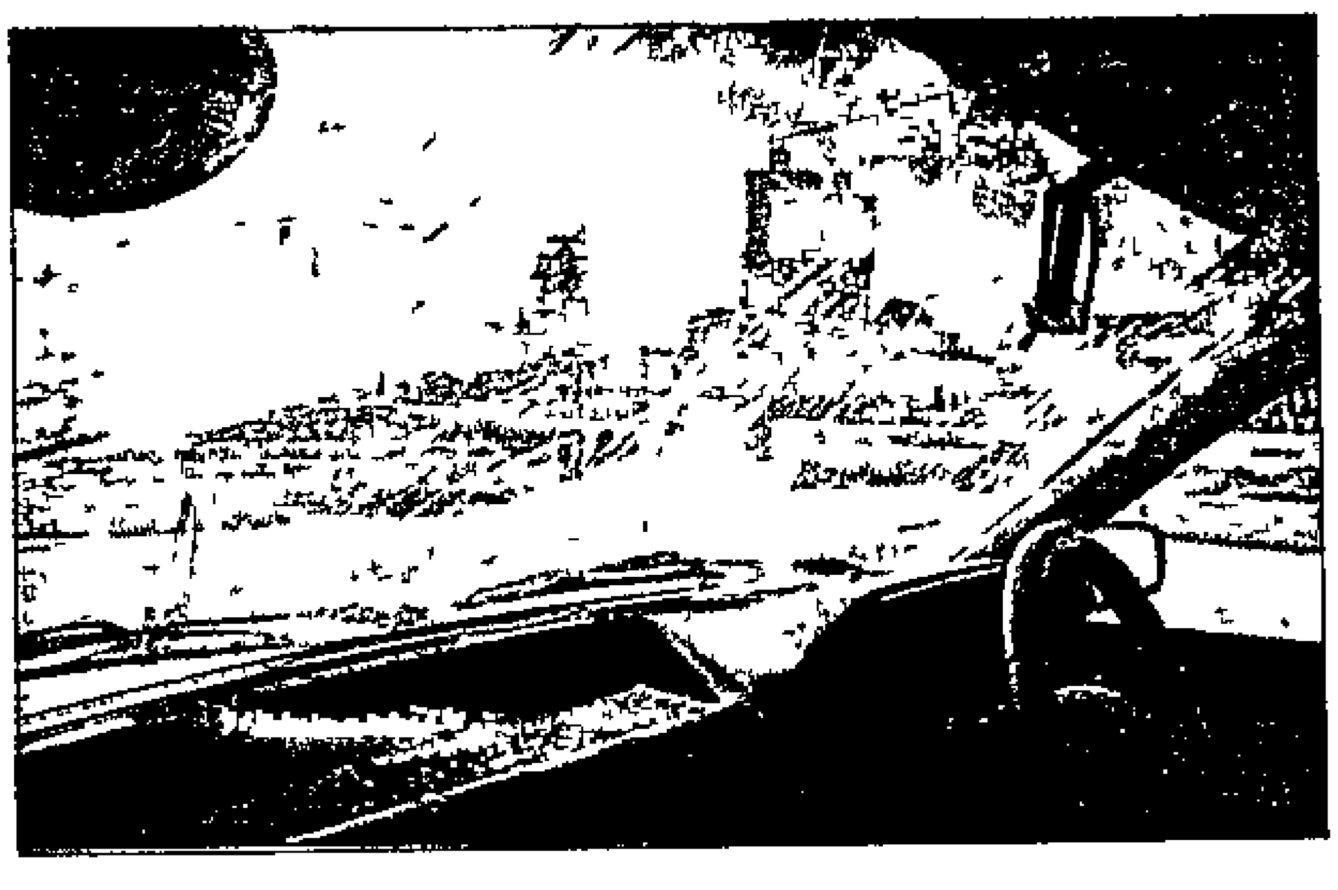
The R6-billion Saldanha Steel construction site is as secure as a fort from outside – but yesterday it was trashed from inside by incensed workers, who caused millions of rands' damage

In a two hour rampage yesterday afternoon, at least 2 000 workers terrorised colleagues, razed a project office and torched several vehicles They also looted a bar in their housing compound and set it and two canteens alight

The workers are staff of various subcontractors building the giant steel mill near Saldanha Bay

By late afternoon the huge construction site was deserted and resembled a set for a science fiction horror movie Construction vehicles were parked in the middle of roads, and cranes, some with their loads still hanging in mid air, stood abandoned The smashed windows of site offices were a grim reminder of what had gone before

Homeward bound. workers head for home after violence at the construction site



Distorted view: one of the many vehicles that were damaged

A few firemen and managers were hosing down the smouldering remains of what only a few hours before had been the bustling offices of the United States based company Chicago Bridge and Steel.

The burnt casings of computers, filing cabinets and other office equipment were an indication of the valuable information lost in the riot A few metres away stood the shells of several burnt cars

Dennis le Sueur of Superlag Insulations and Sheetmetal arrived at the site to find that while little equipment was damaged, other expensive items like generators were missing

He said his day had started out normally – but just after lunch all hell broke loose "There was no warning We heard the chants of workers and at the same time rocks and stones were flying everywhere They forced us to abandon our posts and join the march "

One worker was slightly injured when a stone struck him on the head.

They joined the march and after things quietened down they returned to the site to pack up their equipment. "We will come back here only on Monday, if things are back to normal."

On the other side of the huge site, David Isaacs said he had been working in one of the sub-stations when he was ordered to down tools by "hooligans"

"They invited me to join them As I emerged from the station they started stoning me It was very difficult to dodge and escape unscathed They were really letting us have it and you could sense how angry they were I could not believe what was happening and ran like hell to get away "

Mr Isaacs said he would wait to find out what was happening at the site before returning to work

A worker said he had joined the march because it was the safe thing to do

"We were all very nervous and scared and didn't know what to expect. I feel sorry for the people who were trapped in the offices when they were stoned At the same time I do understand how frustrated the workers are for having to work and live under such conditions

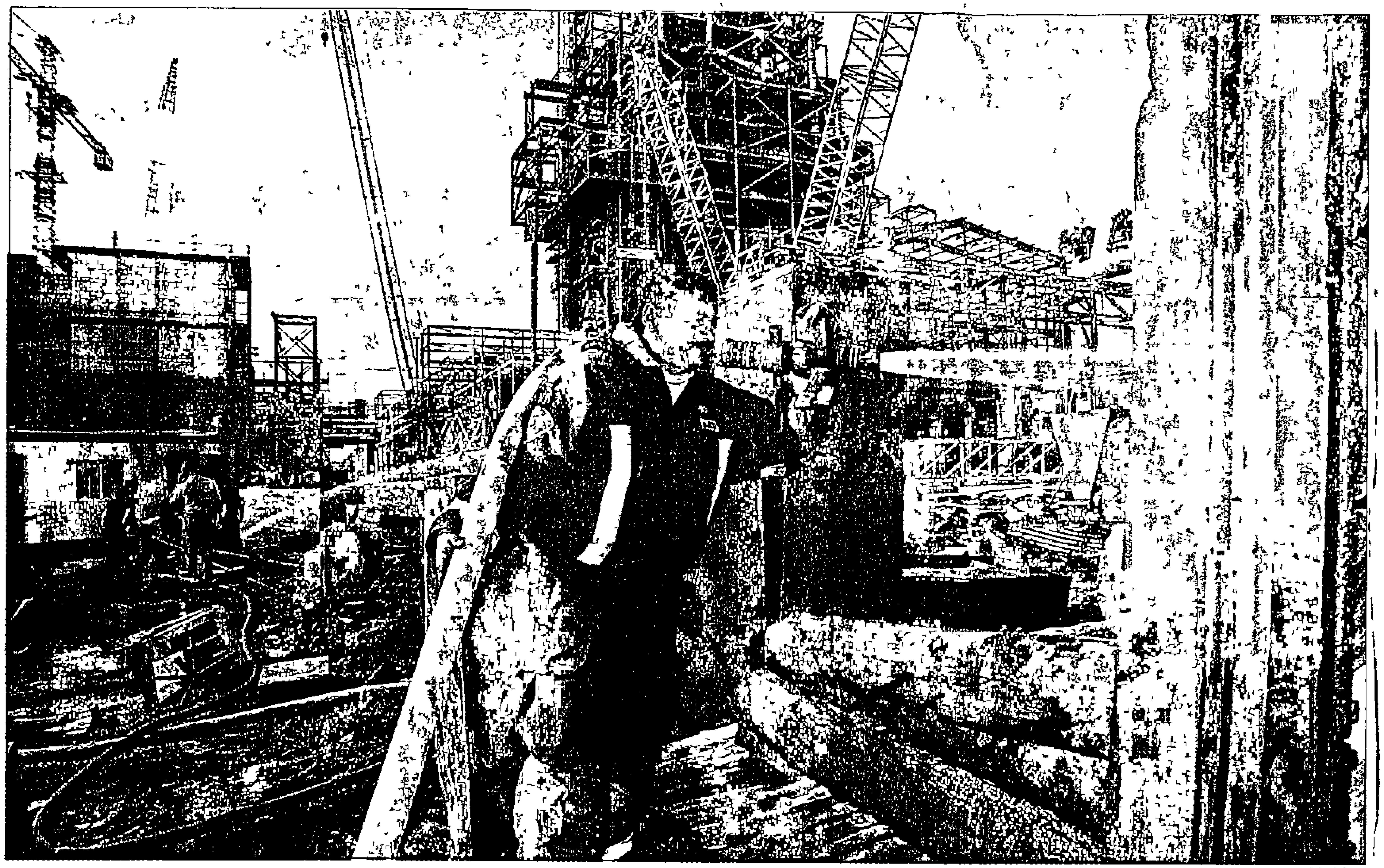
The workers have grievances relating to retrenchments and living conditions

Project director Ben Nel said there was a site agreement in place with the workers that talks could be held only if they continued working

"We explained this to them in the morning but for some reason they refused and went on the rampage The issue of retrenchments has also been discussed with them and the principle of 'last in, first out' was agreed to There is no excuse for their behaviour " Mr Nel said they were forced to call the police to restore order and minimise damage

Last night hundreds of the workers packed their belongings and headed home after a day of violence

The site will be closed today



ROY WIGLEY

Gutted: Langebaan fireman Kenneth Parker douses the remains of what was once the project office of the Chicago Bridge and Iron company at Saldanha Steel

Rampage leaves swathe of destruction, page 3

Crisis meeting after riot by Saldanha Steel workers

ARG 4/2/98 (189) (~~...~~)

JOSEPH ARANES and ALIDE DASNOIS
STAFF REPORTERS

The Commission for Conciliation, Arbitration and Mediation has been asked to try to resolve the construction site dispute at Saldanha Steel, where workers rioted yesterday

The sacking of 20 workers by the United States based Chicago Bridge and Iron, a contractor on the site, triggered the anger of 2 000 colleagues

Buildings were razed and cars torched The police, called to restore order, fired teargas and several rounds of rubber bullets No serious injuries were reported Seven people were arrested for looting and public violence

Sarah Christie, senior commissioner in Cape Town said the commission had been called in by the West Coast Investment Initiative, which is co-ordinating development in the area for the Department of Trade and Industry

She and a colleague were to go to the site today to meet employers and workers

Work on the R6-billion project ground to a halt after the violence broke out yesterday Project management was locked in emergency meetings today

Workers complain that they are badly housed on the site and that pay is irregular

But foreign workers employed by Chicago Bridge stay in upmarket accommodation in nearby holiday village Club Mykonos and are paid regularly, they say

The local workers complain of harsh living conditions on the construction site,

To page 3

Sacking sparks big rampage

(189)

From page 1

ARG 4/2/98

where 16 people share a shower, two toilets and a wash basin. The floors of the compounds are cement and windows have wooden shutters instead of glass panes

The workers say they are given chicken for supper every night On the rare occasions the menu changes, they are served braised brisket

Head of the Community Forum Ebrahim Dalwai said matters had come to a head when five people chosen by the workers to represent them in talks with management were fired. Although no trade unions are active on the site, the workers have formed a workers' forum

A forum spokesman, who wished to remain anonymous for fear of losing his job, said while the unrest at the site was regrettable it was also inevitable as people could not live and work under such harsh conditions without incidents

"We have no rights here Most of us work 108 hours a fortnight and don't get paid overtime We are heavily taxed but never get any forms to submit to the Receiver of Revenue "

The flare-up comes just 10 days before the opening by President Mandela of a conference to bolster economic development in the region through the West Coast Investment Initiative

Laurine Platzky, co-ordinator of the West Coast Investment Initiative, said the unrest was the result of "appalling labour relations" between Chicago Bridge and workers

SA academy will boost gold jewellery

(189)

MPHO MANTJIU

CT (BR) 5/2/98

Johannesburg — A South African jewellery academy would be established later this year to boost the production of locally made gold jewellery, Bernard Swanepoel, the project's managing director, said yesterday

The SA Jewellery Academy, would be a joint initiative between the Harmony gold mine, Mintek, the National Union of Mineworkers, the Free State Goldfields Development Centre, the Free State government and a firm of Italian consultants

It would develop South Africa's gold jewellery production and promote the creation of small business in this field South Africa exports mainly unbeneficiated gold

Swanepoel said "The school will equip talented students with the technical expertise to enter the field of jewellery design and production"

The skills development programme aimed to boost the economic development through the production and international sale of jewellery with 100 percent local added value, Swanepoel said

The school would accommodate 40 students in its first year and 140 students within five years The training would be from Harmony's existing training centre The institution planned to be self-financing through sale of products by students

Work at Saldanha Steel site to resume next week

CT (BR) 5/2/98 (189)

Frank Nxumalo

Johannesburg — Work on the Saldanha Steel site in the Western Cape would resume on Tuesday next week after about 6 500 workers went on the rampage earlier this week, Bernard Smith, the company's chairman said yesterday

"As a result, the scheduled start-up in the second quarter of 1998 is unlikely to be unduly affected," Smith said

All was quiet at the site, a joint venture between Iscor and the Industrial Development Corporation, yesterday after the workers were given a long weekend to cool off

"It was necessary to do that Emotions ran very high, and it was miraculous that nobody was injured," Smith said

Although management was still assessing on-site damage, he estimated it to be between R1 million to R2 million

"As a result, the delay in restarting this construction could possibly be larger than is expected in the steel-making section, but I am convinced the iron-making facilities will be commissioned in the second half of 1998 I therefore believe that the financial impact on Saldanha Steel will be minimal"

The workers, who are employed by CBI, a US company subcontracted to Saldanha, reportedly went on a wildcat strike on Tuesday, hurling missiles and burning cars and buildings after Saldanha allegedly terminated their contracts

Violence may delay Saldanha Steel plant

BD 5/2/98 (189)

Renée Grawitzky

THE construction of Saldanha Steel, a joint project between Iscor and the Industrial Development Corporation (IDC), may be delayed by up to a month after a strike by thousands of workers erupted into violence resulting in R5m damage this week.

The company has yet to calculate costs which may result from possible delays in completion of the project

Workers burnt down three buildings, a security hut, four vehicles and a kitchen in the workers' village and attacked police after demanding to speak to the management of US-based Chicago Bricks and Iron (CBI).

CBI, a subcontractor working on the construction of the iron-making side of the project, bore the brunt of the damage after workers burnt down a building housing their mainframe computer containing data relating to the project.

Saldanha chairman Bernard Smith said workers had presented management with a list of demands which included a call for adequate facilities and better representation for contract workers. Management said it had agreed to meet worker representatives but on condition that workers return to work. However, workers refused and violence erupted.

Police spokesman Capt Francois Rossouw said it appeared a group started the action after 20 of their colleagues were informed that they were to be paid off.

It is understood that workers got angry and demanded to know why these workers were being retrenched when the company had just hired 10 Americans. Saldanha said CBI had a small group of foreign workers who were part of the company.

The Saldanha project is supposed to be completed towards the end of the year and 2 000 workers have already been retrenched. By completion the remaining 6 500 workers will have been laid off. Once operational it will be manned by 600 workers.

Workers were sent home yesterday and production was expected to resume only on Tuesday.

Jewellery academy takes shape

(189) BD 5/2/98

A TRAINING facility for jewellery designers and manufacturers would be established this year at Harmony's Free State gold mining operation in Virginia, the company said yesterday

The SA Jewellery Academy was a joint initiative by Harmony, Mintek, the National Union of Mineworkers, the Free State Goldfields Development Centre, the Free State government and a firm of Italian consultants, the company said

It would accommodate 40 students in its first year, rising to 140 within five years

The company said the school was expected to be operational by the third quarter of this year.

It would be housed within Harmony's existing training complex and was expected to become self-financing through the sale of its students' products as well as its staff's technical expertise

The establishment of the jewellery academy follows the recent commissioning of Harmony's gold refinery at Virginia

This would supply the school's gold requirements

A feasibility study on the development of a major jewellery manufacturing facility in the area was also under way.

Harmony MD Bernard Swanepoel said "While SA is still the world's major gold producer, local gold jewellery production accounts for less than 0,2 percent of the global total

"The academy is a first step towards correcting this imbalance," Swanepoel said — Sapa

Saldanha Steel workers defiant

Leaders vow they will not take sackings lying down

ARG 5/2/98 (189)

THABO MABASO AND LINDSAY BARNES
STAFF REPORTERS

Leaders of workers who went on a rampage at the R6-billion Saldanha Steel construction site have vowed not to take the sacking of 20 colleagues lying down, saying they will fight for their jobs.

A spokesman for the group, Jumbo Solomons, told the Cape Argus that problems at the plant had been simmering for a while

Workers had petitioned the management of the main contractor, the US-based Chicago Bridge and Iron, several times to change what he said were unfair labour practices, but to no avail.

Tempers boiled over at a protest meeting on Tuesday after managers refused to listen to workers' grievances, Mr Solomons said. Workers complain about irregular payments, the employment of Lebanese, Turks and Filipinos, sub-standard food and poor housing

"As far as food is concerned, chicken is the main menu item – in the four weeks that I have been here I have had nothing but chicken," said Mr Solomons, one of those sacked

Main reason for worker dissatisfaction was that the bulk of the local workforce employed by Chicago Bridge had been made independent contractors, meaning they enjoyed no rights under the Labour Relations Act

Paul Benjamin, a partner in the Cape Town office of labour lawyers Cheadle Thompson and Haysom, recently wrote in the Cape Argus that making workers independent contractors absolved bosses from paying overtime, sick pay and giving leave.

Mr Solomons said employees were made individual contractors without having the choice and were informed of the consequences only when they complained about work conditions.

Sandy Nairn, project director for Chicago Bridge and Iron, said if any issues raised by workers were "valid", they would be dealt with

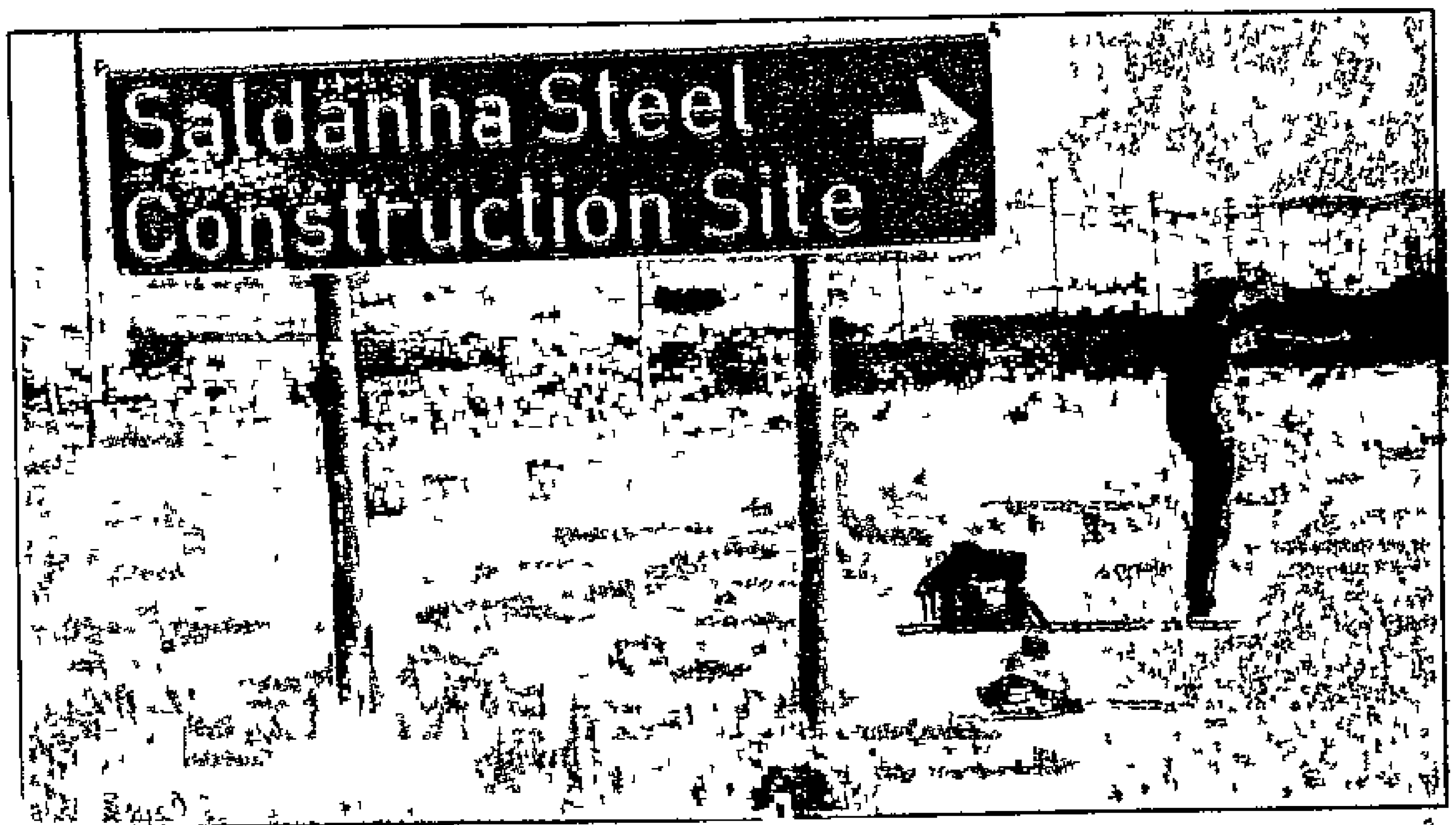
But the main grievances arose from independent contractors' failure to understand their situation.

"When you are self employed you pay less tax. But they didn't understand they would lose out on benefits such as medical aid that you get while working for an employer. They don't understand why they are not treated as employees now," he said

On their return to work, a committee of some sort would be formed to discuss the conflict, he said

ROY WIGLEY

Bags packed: construction workers wait outside their hostels at the Saldanha Steel site for transport to take them home for an enforced long weekend



Tools down: a worker thumbs a lift home after the construction site was closed

Thousands ordered home after R1,5-million rampage

ARG 5/2/98 (189)

LINDSAY BARNES
Staff Reporter

Thousands of Saldanha Steel construction workers were bused home yesterday to "cool off" while management took stock of riot damage that will set part of the R6-billion project back more than a month.

Most of the workforce would return to work on Tuesday, amounting to the loss of a week to labour unrest, said Saldanha Steel general manager Piet Pretorius

But people working for the main contractor, United States-based Chicago Bridge and Iron, could be unemployed for as long as six weeks until its office is fully operational again

Damage caused to the steel mill construction site by workers on Tuesday is estimated at R1,5-million

Yesterday Chicago Bridge suspended its independent contractors – 35% of its 1 800 workforce – and laid off the rest, promising they would be "brought back as soon as possible".

As they were hired on contracts, the workers will not be paid in their absence

Sandy Nairn, Chicago Bridge project director, said the delay was the result of the loss of the company's project office, including the computers, staff records, documents and construction drawings

The loss of all documentation and paper work for the past six months was inestimable and would have to be recovered, he said.

Mr Nairn blamed the damage on a few rabblerousers and said most of the workers were "decent people".

It was rumoured that a few who had been retrenched misinformed 500 of their colleagues that they had all been sacked and this triggered the violence, he said.

Saldanha steels itself for fallout in wake of riots

(189)

ST (Cm) 8/2/98

CHARL DE VILLIERS

ORGANISERS of one of the West Coast's most import investment conferences are concerned that this week's mob violence at the giant Saldanha Steel Project plant could chase away potential investment in the Western Cape

Rioting workers caused damage estimated at R5-million just three weeks before Trade and Industry Minister Alec Erwin was scheduled to open the West Coast Investment Initiative's international investor conference at Saldanha Bay on February 25

The conference is aimed at attracting investment to the region, one of eight development corridors set up to accelerate investment in areas ranging from the West Coast to Mozambique

This week key players in the West Coast initiative said the riot had been an isolated incident, but admitted that it could not have come at a worse time

"I have not received one phone call from a sceptical investor, but of course we're worried," West Coast Investment Initiative project manager Dr Laurine Platzky said on Friday

A local official, who asked not to be named, said the investor conference would be the real litmus test "Until then we'll not really know what the repercussions of the Saldanha incident are," she added

Wesgro economist Nigel Gwynne-Evans said Tuesday's riot was a one-off incident

"It took place in a very localised and isolated area in relation to the entire SPP plant But it cannot have been good for the SDI, or positive for the region"

Platzky said Saldanha Steel was being built in phases, which meant workers would be laid off when their contracts expired

"The basic concept of an industrial development zone is predicated on predictable industrial and environmental regulation

"This is to make sure that investors and employees know exactly what is expected of everyone," she added.

Analysts remain wary because world steel prices are still falling

Iscor surges ahead in rollercoaster trade

CT (MR) 10/2/98 (189)

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Johannesburg — Shares in Iscor, the privatised iron and steel producer, made strong gains and then lost more than half of them to post a 7c rise to R1,85 in rollercoaster JSE trade on positive expectations of half-year earnings

George Grohmann, a steel sector analyst at Rice Rinaldi, said he expected first-half earnings of 10c a share, up from last year's 7c He warned that Iscor's second-half earnings would be dented by weaker steel prices and the brunt of the Asian economic crisis

"They are going to be a bit better for the first half, but the way steel prices are going it's not going to be an easy second half"

Grohmann said Iscor had improved its internal efficiencies and that cost savings exercises were beginning to bear fruit

Sales into the South African market, which gave Iscor better margins than exports, appeared to be rising The fall in the value of the rand against the dollar would benefit earnings

But this would not be sufficient to offset the fall in steel prices, which had come off by $20 to $40 a ton, he said

Gavin Butcher, an analyst at ING Barings, said he expected first-half earnings of 13c a share, with earnings for the second half falling to about 10c a share

"They are going to battle to compete against the Asians," Butcher said

Butcher and Grohmann said Iscor was also likely to benefit from improved iron-ore exports from Sishen, which last year were constrained by technical difficulties on the railway line to the port of Saldanha

The prices achieved by Iscor for its iron ore are also believed to have improved by 2 percent to 3 percent, in spite of the weak steel market

But neither Grohmann nor Butcher felt yesterday's rise in the share price was justified

"I'm not buying (Iscor shares)," Grohmann said.

"I think the share is overpriced at the moment I wouldn't be buying a steel company when the price of steel is

Saldanha workers to return to work

189

Reneé Grawitzky

BD 10/2/98

THOUSANDS of workers are expected to resume work on one section of Saldanha Steel today after the operation was closed last Wednesday after striking workers went on a rampage causing millions of rands damage.

An estimated 2 000 workers ran amok, burning buildings and other facilities after a group of workers had been laid off as part of the winding down of construction

Initial estimates of damage amount to R5m, excluding the costs of closing the operation for nearly a week

Saldanha Steel chairman Bernard Smith yesterday was still unable to indicate total losses incurred. The construction of Saldanha is supposed to be completed later this year, at which point all of its original workforce of 9 000 workers will be laid off. Once operational, the plant will be manned by 600 people

The company said yesterday construction would resume at the steel plant today.

Uncertainty still surrounded the resumption of operations on the iron-making plant after Saldanha's major contractor, Chicago Brick and Iron (CBI), suffered huge losses when their computer system and documentation were burnt down in one of the fires

On Sunday CBI published a notice in the media advising workers not to return to work until notified.

Saldanha believed construction could resume on the iron-making side by Thursday Smith said CBI had no infrastructure as yet to take workers back

Discussions with unions would have to resolve whether workers would be paid for the time this section remained closed.

Town struggling to adjust: Page 12

5 000 (189) return to steel plant

10/2/98

ARG

DEPUTY BUSINESS EDITOR

About 5 000 employees building the R6-billion Saldanha Steel plant returned to work today, one week after violent strike action brought the project to a halt.

However, Saldanha Steel communications manager Tom Ferreira said the 1 550 workers employed by a leading contractor, Chicago Bridge, would report for work only once the damage to computers and other facilities on sections of the iron-making plant were repaired

The hot-rolled cold steel plant would be commissioned as planned by about May this year while the iron-making plant would be commissioned at a later date, due to the damage caused by the rioting.

Mr Ferreira said the delay at the iron-making facility meant that iron would have to be purchased for a longer period than previously envisaged to be used as feedstock for the steel plant.

Saldanha Steel at work

CT 11/2/98 (189)

ABOUT 5 000 workers building the Saldanha Steel plant returned to work yesterday, a week after the project shut down after violent protests.

Another 1 550 workers employed by contractor Chicago Bridge would resume work once damage to computers and other equipment had been repaired, a spokesperson said — Sapa

R400m Congo investment in the offing

Iscor swings back into the black

(189)

CT (BR) 12/2/98

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Johannesburg — Iscor, the iron and steel producer, swung back into a profitable first half after reporting a net attributable loss of R633 million last year

Management said it was months away from finalising a R400 million investment in the Kamoto copper and cobalt project in the Democratic Republic of Congo and promised even stronger earnings in the second half of the financial year

Hans Smith, Iscor's executive chairman, said last night that if Iscor won the contract it would begin pouring money into the project in the next financial year

Headline earnings for the six months to December 31 rose 81 percent to 12,1c a share

The increase was largely in line with analysts' expectations, but analysts were doubtful of Iscor's ability to repeat the performance in the second half

The rise in earnings was largely attributed to a turnaround in Iscor's steel division, which last year experienced production problems at the Vanderbijlpark works and losses at the Pretoria works At the year end Iscor lost R1 billion on closing its unprofitable Pretoria works

Smith said Vanderbijl's commissioning problems had been dealt with and production was now stable

"The bleeding from Pretoria works has stopped The only negative is that steel prices have come down," Smith said

Iscor steel increased its operating income by 166 percent to R250 million Its mining operations increased their operating income by R80 million to R287 million through a rise in iron ore exports, which last year were constrained by technical difficulties along the export railway line, lower costs and higher zinc prices

The group's coking coal production fell because of higher imports but coal sales to Eskom rose by 15 percent

Iscor spent R735 million on capital expenditure and R745 million on its investment in the Saldanha Steel project, leaving a net cash outflow of R314 million and a net debt of R1,08 billion

An analyst, who declined to be named, said he was pleasantly surprised the high capital expenditure had not strained the balance sheet and only pushed the debt-to-equity ratio up to 14 percent

Smith said he was confident Iscor could increase its earnings in the face of falling steel prices through cost-cutting and a 2,9 percent rise in iron ore contract prices which will kick in from April Iscor's share closed 4c lower at 181c yesterday

Closing down of Iscor's Pretoria works pays off

BD 12/2/98 (189)

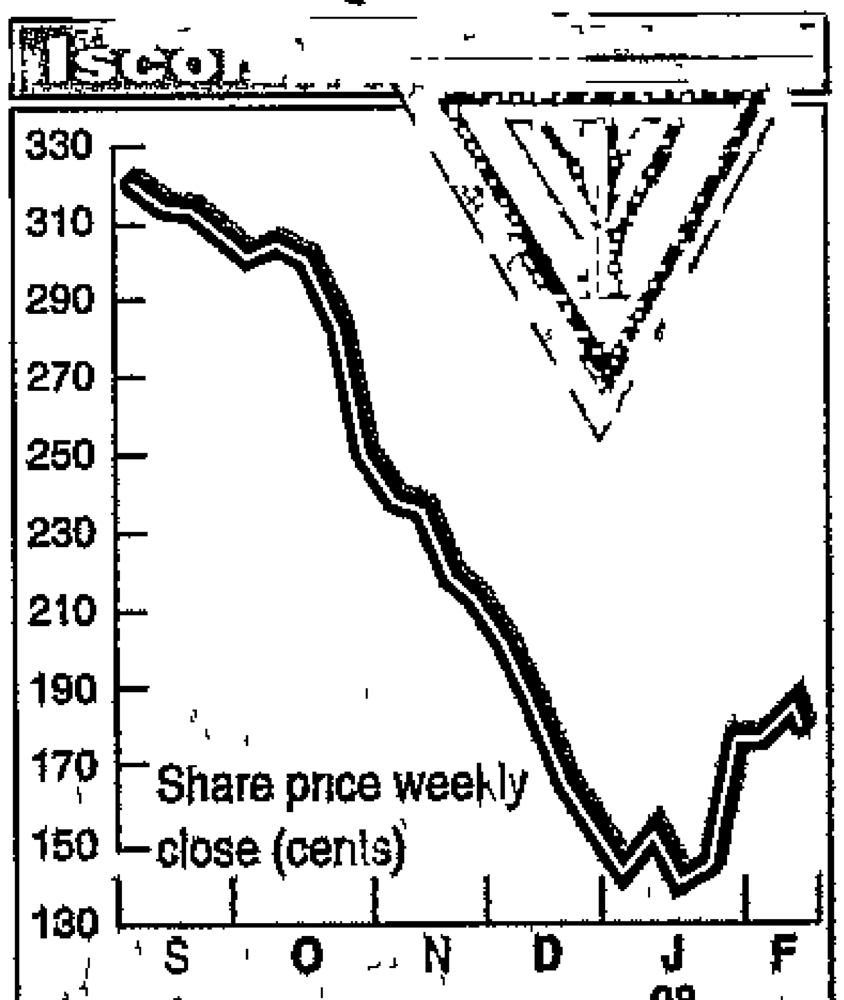
David McKay

ISCOR reported an 81% increase in headline earnings to R310m for the six months to December, as it benefited from the closure of its unprofitable Pretoria works and overcame the production problems which weighed heavily on its performance last year

Executive chairman Hans Smith said yesterday cost improvements from re-engineering the group's Newcastle steelworks and mining operations had taken effect. The Vanderbijlpark steelworks would show similar improvements in the following financial year due to benefits from its refurbishment

Headline earnings a share nearly doubled to 12,1c compared with the same period last year This was in line with analysts' expectations An interim dividend was not declared as it "did not make sense" to pay a small interim dividend given the high administration costs, Smith said

He predicted even better headline earnings in the second half. "I am sticking my neck out, but the operations are running smoothly and we expect further benefits from the re-engineering," he said.



Graph: KAREN MOOLMAN Source: I-NET

Commenting on Iscor's proposed mineral sands project, Smith said a final decision on the project would be made by June

The group believed it could sell the mineral sands, but wished to introduce equity partners to take up some of the project's capital burden. Iscor was willing to talk to local and offshore mineral sands and pigment producers to join the project, he said

The Hope Downs iron ore project in Australia, in which Iscor was involved, would also require equity participation

Smith estimated that Iscor could end up with between 25% and 40% of the project's equity Hope Downs was estimated to cost A$1bn to develop.

Iscor's steel division reported an 8% increase in liquid steel production to 3,3-million tons The weaker value of the rand against the dollar had a positive effect on the steel division's revenues.

The proportion of local steel sales increased to 60% of total steel output as the domestic market improved

Smith was hesitant to rely too much on the local market to buoy the steel division.

"Turmoil in Asian markets will inevitably put pressure on international steel prices."

However, a 2,9% increase for iron ore had been negotiated between major producers and consumers effective from April this year to March next year

Iron ore volume increased 14% to 8,9-million tons

In the previous period, volume was influenced by problems with the Sishen-Saldanha railway

Trade unions launch probe of Saldanha Steel rampage

(189)

Dispute may be declared with US company

ARG 12/2/98

THABO MABASO
BUSINESS REPORTER

Two of the biggest trade unions at the R6-billion Saldanha Steel project have launched an urgent investigation of the upheavals on the site last week which led to 6 500 workers being sent home.

The National Union of Metalworkers of South Africa (Numsa) and the Metal and Electrical Workers Union of South Africa (Mewusa) have vowed to declare a dispute with United States company Chicago Bridge and Iron (CBI) if their investigations show the company did not follow prescribed procedures when it paid off some of its workforce

Mewusa regional organiser Raymond Snyders told the Cape Argus that the union had an agreement with Saldanha Steel about procedures to be followed when sending workers home at the end of their contracts

"At this stage we do not know if the demobilisation procedure has been followed If the agreement was not followed, we will declare a dispute with CBI and whoever is involved," Mr Snyders said

Numsa regional co-ordinator Carl Kloete said CBI should take responsibility for what happened at the plant

"According to our information, workers contracted to CBI presented the company with a list of grievances as far back as January Nothing was done about the grievances," Mr Kloete said

"Our position is that there are loose ends to the story management has told We can only decide what to do next when we have all the information on what caused last week's events "

Meanwhile, work has resumed at the plant after the employees began returning in dribs and drabs on Tuesday But 1 200 CBI staff have been told not to go back to work yet

Saldanha Steel chairman Bernhard Smith said they would return next week

Violence erupted at the plant after CBI, which is one of the largest contractors on the project, sent 20 staff members home. A group of about 2 000 employees, demanding the reinstatement of their colleagues, then went on the rampage, burning buildings and cars The workers, who are employed as independent contractors, complained about poor living conditions at the site and irregular wage payments as well as the hiring of allegedly poorly skilled foreigners

However, Mr Smith denied that any workers were fired

"No one was fired People were let go because the jobs they had been doing were completed and therefore there was no need for them," Mr Smith said

The trade unions have attacked the practice of deeming workers independent contractors and said employees were denied rights that they should enjoy

The provisions of the Labour Relations Act do not apply to independent contractors

Project still on track, says Iscor

Johannesburg - Iron and mining conglomerate Iscor said construction of its Saldanha Steel project remained on schedule in spite of the troubles last week.

"I think there might be at least two weeks' delay (due to the disturbances) but I think we will see this one through

"We are still on schedule and commissioning of more than half the plant is scheduled to start in April," Iscor executive chairman Hans Smith said yesterday

He said Saldanha's Midrex and Corex iron plants would be commissioned in the last quarter of the year

The project was scheduled to reach full production of 1,25 million tons of hot rods annually by the beginning of the year 2000, Mr Smith said

Peak funding of the project was projected at R7,1 billion, Mr Smith added – Reuters

Iscor eyes 10% chunk of iron ore market

CT(BR) 16/2/98 (189)

JONATHAN ROSENTHAL

Johannesburg — Iscor, the iron and steel producer, hopes to take about a 10 percent share of the world iron ore market and to expand the base of products it mines to include copper and cobalt over the next few years, Iscor said last week

The first mining project on the cards is a 3 million tons a year production expansion of the Sishen iron mine in the Northern Cape to increase exports and feed 1,8 million tons of ore to the new Saldanha Steel mill The main bottleneck to expanding ore exports is the capacity of a dedicated railway line between Sishen and Saldanha Last year technical difficulties on the line and its associated harbour facilities restricted exports

Ben Alberts, Iscor's head of mining, said Spoornet, the state-owned railway operator, was meeting its targets and would increase its capacity through productivity improvements

Greater capacity at Sishen together with Iscor's planned participation in the Australian Hope Downs iron ore mine, would give Iscor 10 percent of the world iron ore market

Iscor signed an agreement at the end of last month with Hancock Prospecting to develop the Hope Downs mine A detailed feasibility study on the project would take at least two years

In copper, Iscor hopes to generate a real return of 22 to 25 percent on its planned R400 million investment in the Kamoto copper mine in the Democratic Republic of Congo

Hans Smith, the iron and steel producer's chairman, told analysts that the mine would produce about 70 000 tons of copper and 4 000 tons of cobalt a year Iscor plans to begin rehabilitating the mine this year and to enter full production in 2001 A 10-year management contract for the mine is to be finalised by the end of March

***READY AND WAITING** Workers at the R7 billion Saldanha Steel mill, which is nearing completion*

PHOTO JONATHAN ROSENTHAL

Highveld likely to profit from vanadium shortage

CT (BR) 17/2/98 (189)

Jonathan Rosenthal
Industrial Editor

Johannesburg — A global shortage of vanadium, a steel additive, is expected to boost the full-year earnings of Highveld Steel and Vanadium, South Africa's largest vanadium producer

Highveld's earnings are expected to rise to between 90c and 135c a share (from last year's 69c a share) when the group reports its results tomorrow, an IBES poll of analysts showed

George Grohmann, an analyst at Rice Rinaldi, who expected Highveld to report earnings of 96c a share, said last week that vanadium pentoxide prices had edged up to about $6,70 a pound (from about $3 a year ago) because of a fall in Russian production

"The cost of production doesn't change, so each dollar more (in the selling price of vanadium) goes straight to Highveld's bottom line," Grohmann said

Smaller South African producers are expected to increase their production of vanadium, as are US producers and recyclers, who generally recover used vanadium only during strong upturns in the price

"The market will only come back into balance when Highveld brings new production in at the end of this year or next year," Grohmann said

In the 1996 financial year, Highveld's earnings fell 67 percent because the company was battered by weak commodity prices, a strike and continued losses at the Columbus Stainless Steel plant, a joint venture with the Industrial Development Corporation and Samancor

Grohmann said earnings for the past financial year would benefit from a substantial fall in losses incurred by Columbus Highveld's share of Columbus' losses is expected to fall to just over R80 million

Analysts said the real rise in earnings would be in the current financial year, with earnings expected to rise to above 200c a share Behind this are expectations of a further stanching of the losses at Columbus and continued high vanadium prices

Grohmann said that even with additional vanadium coming on to the market, vanadium pentoxide prices would conservatively average about $4,81c a pound, compared with an average price of $4,02 a pound for the past year

Iscor, IDC to discuss project's refinancing

MD 17/2/98 (189)

Reneé Grawitzky

ISCOR and the Industrial Development Corporation (IDC) would meet today to discuss the refinancing of the R7bn Saldanha Steel project on the West Coast as it was undercapitalised, IDC MD Khaya Ngqula said yesterday.

Talks on refinancing arrangements had nothing to do with the recent problems at the steel mill, but had been the subject of previous discussions

At the same time Saldanha Steel management indicated that delays in the resumption of construction could, depending on the time period, cost the project an additional R20m to R40m

Two weeks ago the plant suffered about R5m damage when thousands of workers burnt buildings and other facilities to protest against the laying off of a group of workers and to highlight a number of work-related grievances

The majority of workers have returned to work, but about 1 000 have yet to return to work for one of Saldanha's major subcontractors, Chicago Brick & Iron

Saldanha Steel spokesman Tom Ferreira said yesterday the delay was a result of fire damage to one of the buildings housing Chicago Brick & Iron's mainframe computer, and damage to all the plans for the construction of a section of the plant designed to convert iron ore into the material used in the making of steel

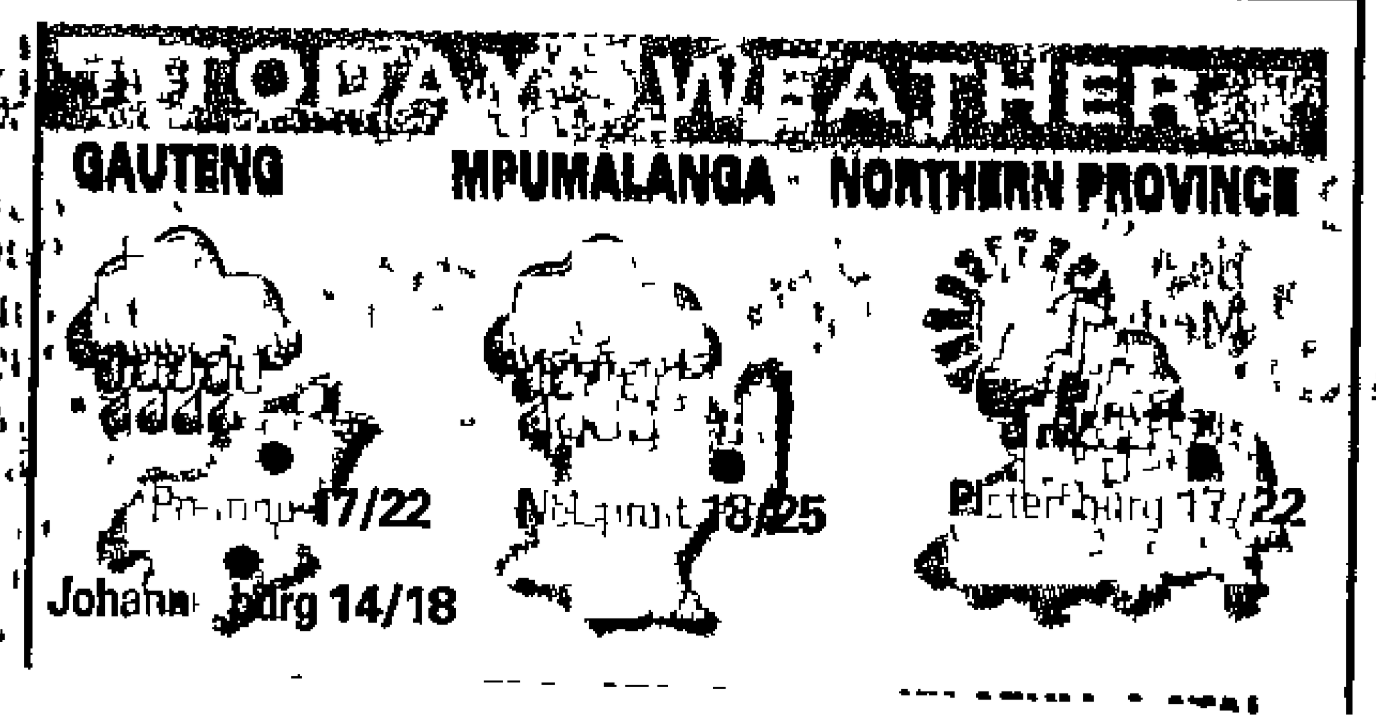
Govt to raise antidumping issue with US

BD 18/2/98 (189)

John Dludlu
and David McKay

GOVERNMENT has opted to use the US-SA binational commission as a forum to resolve the antidumping dispute between SA's steel companies and the US government, heading off a potential confrontation for now, says a senior Pretoria official.

"If this failed, government could lodge a complaint with the World Trade Organisation, said Bahle Sibisi, the chief director of foreign trade relations at the trade and industry department.



Sibisi was reacting to yesterday's reports that US antidumping action against SA's carbon steel plate threatened the closure of two plants and could see 7 500 jobs being lost. The report was based on an analysis by the US embassy in SA.

Iscor and Highveld Steel & Vanadium are prevented from selling steel plate in the US below a floor price established by the US commerce department on the basis of what it calculates to be their domestic costs.

The floor prices have effectively priced SA producers out of the market and are much higher than those set for Russia, China and Ukraine, which were treated differently because they were deemed "nonmarket" economies.

Sibisi said government had been approached by Iscor regarding the problem and it had then been discussed with the US commerce department.

"For SA, the (binational commission's) trade and investment committee is a forum created to deal with this issue", Sibisi said.

Of particular concern to government was the apparent discrimination SA faced in the US market, he said. However, he pointed out that the issue of alleged dumping still had to be resolved.

At this stage the problem appeared to affect only two firms.

He said problems were bound to arise between trading partners as trade exchanges intensified. It was therefore important to have mechanisms of dealing with problems such as the binational committee.

The steel problem, which affected SA companies' ability to penetrate the US market, should not be taken lightly, he said.

Iscor steel division MD Louis van Niekerk said the antidumping action by the US against Iscor was putting its re-engineering process under pressure.

It would force Iscor to re-examine its exposure to the export market if it could not trade competitively in the US. In some cases Iscor's steel was selling at $200/ton more than products from other countries, he said.

Analysts said that Iscor might be overstating its case, but it aimed to put pressure on the US for action it believed was clearly discriminatory.

Highveld makes a comeback

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

UPWARDLY MOBILE *Trevor Jones, Highveld's managing director, left, and Leslie Boyd, the chairman, celebrate the company's dramatic turnaround from a 67% loss in last year's headline earnings to a 72% rise*

PHOTO JOHN WOODROOF

Johannesburg — Highveld Steel and Vanadium, the Anglo American steel producer, had overcome low steel prices and ongoing losses at the Columbus Stainless Steel joint venture to rush back to near-record earnings in the past financial year, the company said yesterday

"It's quite nice to stand here and give results that are up," Trevor Jones, Highveld's managing director, said yesterday in obvious reference to the previous year's 67 percent fall in headline earnings

Headline earnings for the year ended December 31 rose 72 percent to 116c a share, beating most analysts' optimistic expectations of 99c

The two key factors behind Highveld's recovery were the slashed losses at Columbus and strong vanadium prices

Columbus, a joint venture with the Industrial Development Corporation and Samancor, improved its operating performance by ironing out kinks in the production process and cut its loss from R562 million to R390 million

Jones said that without the effect of Columbus, Highveld's pretax profit would have been R231,4 million instead of the R100,9 million achieved

Columbus increased its production, improved yields and increased the percentage of higher value-added products in its mix But stainless steel prices continued on the downward trajectory with average selling prices falling $200 a ton over the period

During the year, Highveld managed to increase its vanadium slag production by almost 2 000 tons of vanadium pentoxide, bringing output to 16 900 tons

But the real springboard to higher earnings came from a rise in vanadium pentoxide prices to more than $4,05 a pound for the greater part of the year, compared with prices of $3,35 or less for the greater part of the previous financial year

Jones said Highveld expected to expand vanadium production by 6 million kilograms a year through a R179 million investment in a new kiln

Highveld's Rheem Can operation also turned a corner by reversing a trend of declining production since 1994 Last year it increased production by about 10 million cans to 319,8 million cans

The group's carbon steel operation upgraded its hot strip mill during the year, increasing its production capacity for continuously cast block by 10 percent to just more than 1 million tons

Jones said although sales into the domestic market had improved the outlook for the present financial year was less optimistic

He said the group's exposure to Asian markets was limited, with only 20 percent of its steel sold into the region, and price weakness on Asian markets could spill over into South Africa, but was unlikely to torpedo the domestic market

Leslie Boyd, Highveld's chairman, said domestic demand could be boosted by several large projects like the Mozal aluminium smelter in Mozambique and infrastructural development along the Maputo corridor

Provided vanadium prices remained firm, Highveld would generate a real increase in earnings in the current financial year, Jones said

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(189) CT (BR) 19/2/98

Public protector to quiz Mkhwanazi

(189) CT(BR) 19/2/98

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — Don Mkhwanazi, the chairman of the Central Energy Fund (CEF), had denied reported allegations of corruption involving Liberian consultant Emanuel Shaw, but the matter had been referred to Selby Baqwa, the public protector, the national assembly was told yesterday

Answering a question, Penuell Maduna, the mineral and energy affairs minister, said he and Mangosuthu Buthelezi, the home affairs minister, had met Mkhwanazi on Tuesday Mkhwanazi denied recent newspaper reports that he was being paid by Shaw, whom he had employed as a consultant for the government oil industry

Don Mkhwanazi, the CEF chairman

"We accepted that we are not competent to rule on the veracity of those allegations and we then decided that the right thing would be to refer this matter to a proper authority that would investigate and examine it," he said

"He undertook that he would furnish me with a sworn affidavit with all relevant annexures and an auditor's statement about this matter We are not about destroying people and their livelihoods"

Maduna later told the media that Mkhwanazi had told the two ministers that he had never received any money from Shaw and that, in fact, he had paid him for services that he rendered to him (as CEF chairman)

Maduna said Mkhwanazi was still on the CEF board but that its term expired at the end of March and the posts were being advertised

Mkhwanazi's affidavits would be available to the public once they had been handed over to Baqwa

Maduna told the national assembly that Shaw and his son had, through International Advisory Services (IAS), a consultancy firm, been paid R1,3 million for work performed by three people in IAS for 25 weeks between July 1997 and March 1998

He said that IAS did not, in terms of CEF regulations, have to tender for the contract but the contract could not be terminated without the payment of damages

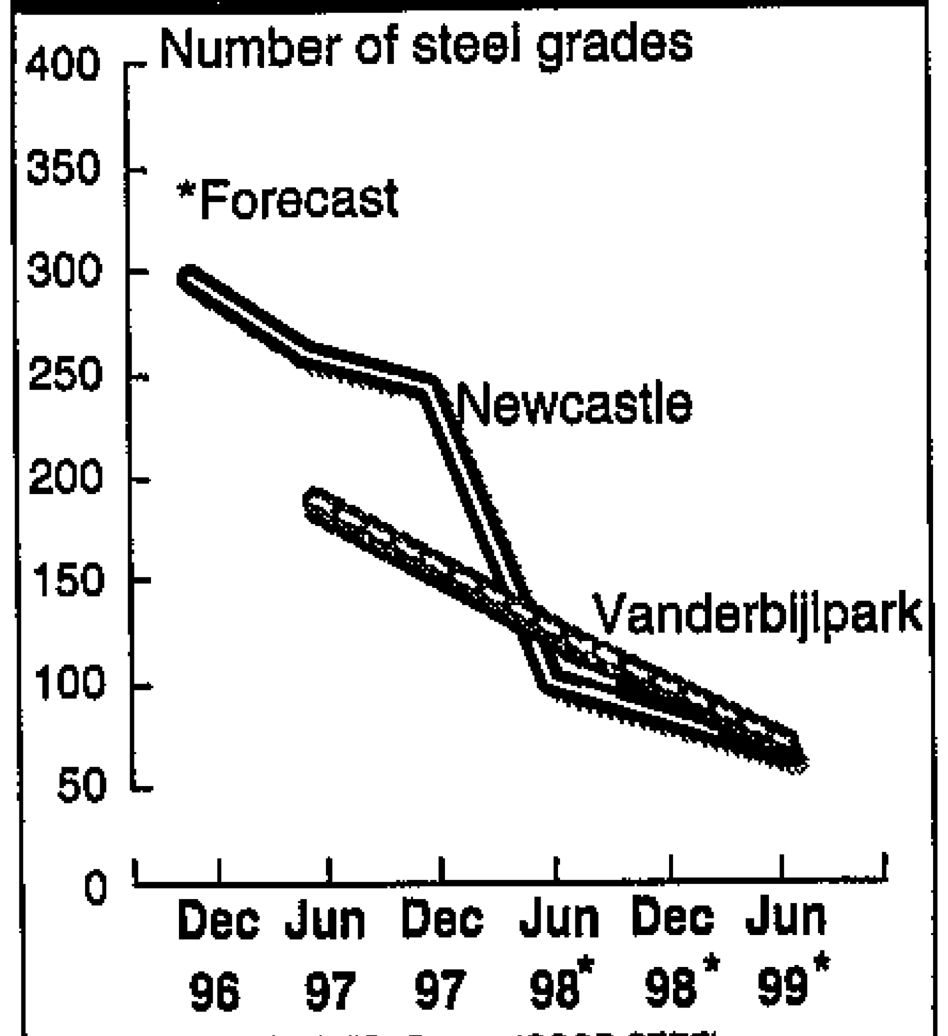
Maduna did not know if the work done by IAS had met CEF's requirements as they reported to the CEF board and the recent enquiry into the contract by Dick Bakker, his former acting director-general, had not determined whether they were competent

There are lessons for parastatals in Iscor's transformation

(189

BD 24/2/98

Iscor product rationalisation



Graphic KUBEN DAVID Source ISCOR STEEL

"BY THE time we get to the top of the next steel cycle, which we predict will be in 2001, Iscor will be a very different company," chairman Hans Smith told analysts at the presentation of the group's interim results recently.

There is little doubt that Iscor, which has a range of initiatives under way to modernise existing operations and grow and diversify its product base, will look different in 2001.

The interim results, presented at the soon-to-be-commissioned Saldanha Steel, reflected some of the changes implemented so far, with substantially increased operating margins in iron and steel

There must be lessons in the Iscor experience for parastatals which have started transformation and gained private shareholders recently. The iron and steel giant is still ridding itself of its parastatal legacy — more than eight years after the listing which took it from public to private ownership The transformation process begun about four years ago is beginning to yield dividends, but there is at least another year to go.

As Smith sees it, the Saldanha project, which will raise Iscor's output of finished product to more than 6-million tons, is as much expansion as he would like to see in steel. The group seeks volume growth in Iscor Mining, whose projects include iron ore, copper and cobalt in SA and abroad But in steel the focus is on growing value, particularly through the re-engineering exercise which is being assisted by international management consultancy McKinsey.

The group's stated aim is to cut costs in all its divisions 25% over three years. But the cost target is simply the measurable aspect of the programme, which is intended to cut the number of steel grades produced dramatically, decentralise decision-making and re-orient a traditionally production-driven management to a focus on customer service

Iscor's mandate was to ensure SA was self-sufficient in steel It produced those grades required by the local market, rather than necessarily those which were profitable Its Newcastle steel works, for example, produces 250 grades of steel — but 80% of its profit comes from only 50 of those

Key aspects of the legacy of the past have been tackled only recently At the beginning of last year marketing, which had all been done from Iscor's Pretoria head office, was decentralised to the individual plants

The re-engineering process, implemented first — and successfully — in Iscor Mining, is now being taken to Iscor Steel It started last year at the Newcastle works but implementation at the key Vanderbijlpark works, which accounts for about 70% of the group's steel capacity, was delayed until phase one of the modernisation programme, which involved a R600m investment in new plant, was up and running

Smith now admits the group tried to do too much, too fast at Vanderbijlpark, which had serious production problems last year

Objectives of the steel re-engineering are threefold cost reduction, product rationalisation and process redesign Cost targets have been set to June 2003 Products are to be rationalised over a shorter period At Vanderbijlpark, there are 12 000 active products the aim is to bring these down to 210 The group's joint venture with international steel trader Macsteel provides some comfort, Smith notes, since it ensures the group can source grades it decides not to produce

Smith expects the re-engineering process to yield "quantum leaps" in value in Iscor Steel So do some analysts, who expect strong earnings growth over the next few years despite the uncertain outlook for the steel market Others are more cautious, pointing to the effect on commodity prices of turmoil in Asia, and to possible problems in commissioning Saldanha

Iscor's share price has picked up since late last year, but it is still 50% below its level of 12 months ago However, the increase in foreign holding is striking· foreign shareholders hold more than a third of Iscor's shares and the proportion is rising. Though steel manufacturers worldwide have been marked down because of the Asian crisis, Iscor's share has fallen further than most — and international investors seeking steel exposure see value in it

FOOTNOTES

Hilary Joffe

ANALYSIS

Success in labour relations key link in development initiatives

Events at Saldanha Steel show what the pitfalls of government's spatial development initiatives can be if they are not managed properly, writes labour reporter Renee Grawitzky

BD 25/2/98 (189)

SA HAS not changed much in the nearly 100 years since white workers mobilised in the streets of Johannesburg to protest against the "yellow peril" — the influx of cheap Chinese labour.

Three weeks ago US-based Chicago Brick & Iron (CBI), a subcontractor at Saldanha Steel started laying off 20 workers as part of a steady "demobilisation" of the total workforce as construction of the plant neared completion.

As these workers were being laid off, seven of CBI's more skilled permanent employees from Thailand just happened to be coming onto the site.

Unfortunately, as one observer says, this "was the match to the tinder". Thousands of workers on the site went on a rampage and began burning CBI's buildings and looted cars before setting them alight.

The aftereffects of the incident still reverberated through the quiet west coast fishing village of Saldanha Bay last week with all concerned asking: "What was the real match to the tinder?"

Saldanha Steel spokesman Tom Ferreira says the frustrating part is that despite doing "everything right", the incident still occurred. A unionist says that if the company did everything right "how come the squatter camp near Vredenburg is referred to as the George Kerridge Park, named after the company's senior industrial relations manager?"

Management, local structures and the promoters of the west coast investment initiative failed to understand why workers who backed the region's development, would deliberately burn and trash the property which was giving them their livelihood.

The strike and subsequent action could not have happened at a worse time as it coincided with the launch of the investment initiative — one of eight spatial development initiatives driven by the departments of trade and industry and transport. The Saldanha Steel project is a joint initiative between Iscor and the Industrial Development Corporation.

The launch is being followed up with an investor conference today in Saldanha Bay aimed at bringing investors' attention to potential downstream ventures in the region ranging from mineral beneficiation projects to agriculture, fishing and tourism.

Government can, however, breathe a sigh of relief as the action was not intended to challenge its moves to promote economic development in the region.

Rather, the manifestation of anger and frustration highlighted the unintended consequences which can arise in the construction of such massive projects. If not acknowledged and addressed, problems such as those plaguing the Saldanha development will haunt similar projects under way.

The west coast project managers and Saldanha Steel went to great lengths to communicate and get the communities and other affected parties on board. After the strike some local leaders, who in the past might have led the strike, criticised the workers for messing "it up for the rest of the community".

What then caused workers to take such drastic action? All parties acknowledge that job insecurity as the construction of Saldanha Steel nears completion later this year is a major factor leading to labour instability.

Despite this, management expected people to accept unemployment peacefully. They still say: "How can workers not understand that the completion of the plant is the same as when they finish building a house? When the house is complete there is no more work to do."

Workers do understand that their jobs are temporary and the inherent instability in construction work. But as one worker says: "How can a R7bn plant only employ 600 permanent workers?" A unionist explains that at the time the Saldanha-Vredenburg community thought more permanent jobs would be created and they felt management lied to them from the outset.

However, management says workers were repeatedly informed that their jobs were temporary. The community was consulted about developments and participated in the screening and selection of most applicants.

There has been a major attempt to keep the community informed of developments, but as social anthropologist Conrad Steenkamp says, the pace of change has been so rapid that when information eventually filters down, it is out of date.

The majority of the 9 000 workers employed to build the plant will no longer have jobs by year-end and face a bleak future with already high levels of unemployment in the region, unless much hoped for potential downstream projects materialise.

Another factor that has contributed to tension in the area is imported labour. The community, initially enthusiastic about the development of Saldanha Steel, has begun to feel resentful over the influx of "foreigners" not necessarily from outside the country but from KwaZulu-Natal, Johannesburg and as near as Cape Town and Atlantis. The community feels it should have had first bite at jobs.

A Cape Town worker says when he goes into the town people say: "Hier kom die Kapenaar. Hulle wil oorneem." Steenkamp says this is not unusual as people living in the area for 30 years are still seen by the local communities as being "inkomers".

Antagonism to outsiders has increased as it is perceived that "foreigners" have taken the jobs reserved for locals. Steenkamp says "structurally entrenched racial tensions in relation to access to resources" is becoming evident.

Management agreed with the communities that locals would get first preference for jobs. This has not materialised, Metal Electrical Workers' Union of SA organiser Raymond Snyders says.

Management says it was conscious of the total labour force mix and gave locals first option, but there were problems as some locals did not like or were not used to the type of work on offer.

"Black workers are traditionally more capable of doing this type of work," management says.

A researcher says this attitude underlies employment relations in the mining industry — where workers from certain areas are stereotyped as being proficient in certain types of jobs.

As with many depressed areas, the skills level in the region did not quite meet the requirements of the company while subcontractors brought in their own people from other areas.

Despite strict criteria placed on subcontractors — in terms of whom they could employ and the ban on the use of labour brokers — workers said during interviews that large numbers were employed by labour brokers on independent contracts with poor conditions.

A worker employed on an independent contract says: "What must I do? This is badly paid work, but I have nothing else."

Saldanha is only a part of the west coast initiative. Other projects falling within it are Anglo American's Namakwa Sands heavy minerals beneficiation plant, already well into production, the Duferco steel processing plant, as well as possible downstream projects.

Laurine Platzky, project manager of the west coast investment initiative, says the objectives of spatial development initiatives are to focus economic growth on where there is potential, develop globally competitive industries, generate sustainable economic growth and development in relatively under-developed areas, develop small to medium size enterprises and create first line jobs.

An observer says the initiatives are primarily about bringing large investment into an area and not about immediate job creation. This could happen through the creation of downstream projects.

Platzky agrees that spatial development initiatives do not necessarily translate into large-scale job creation projects because the industrial part of "our future" is not a job-intensive exercise.

Within such projects, industrial development zones will be promoted.

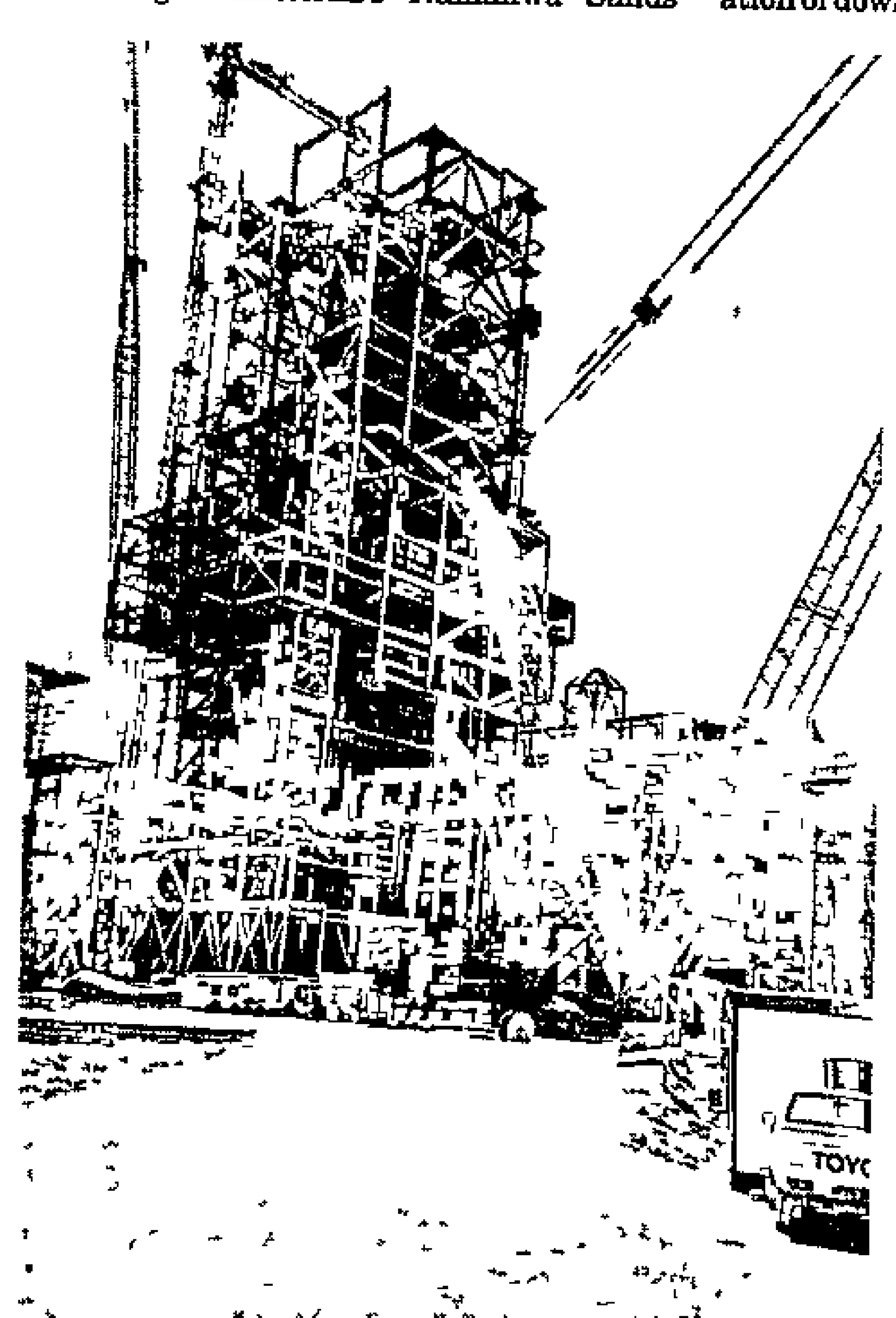
Project organisers are still battling to find short-term solutions to an inherently complex and conflict ridden area.

The Saldanha Steel experience, as with other huge developments as Mossgas, has shown that different contracts giving workers different status coupled with social and economic division will deepen social cleavages and further divide people.

Platzky rightly says the incident reflects a crisis of labour relations in the construction industry.

It also raises crucial questions as to whether foreign companies, having no understanding of labour relations in the country, should get a contract purely on price.

Steenkamp warns that as long as there is a situation where the soft developmental issues appear to be relegated to downstream impact management, then government will create a situation in which the risk of unintended consequences outweighs the development benefits of such initiatives.



The Saldanha Steel plant, right, was beset by labour problems when thousands of workers went on the rampage after subcontractor Chicago Brick & Iron laid off 20 workers as part of a steady 'demobilisation' of the total workforce as construction neared completion

Pictures RENEÉ GRAWITZKY

R400m consortium plan to revive mineral plant

Iscor pursues copper interests in the Congo

CT (BR) 26/2/98 (189)

SHERILEE BRIDGE

Johannesburg — Iscor, South Africa's largest iron and steel producer, said yesterday that it was close to signing a R400 million deal to refurbish the Kamoto copper and cobalt plant in the Democratic Republic of the Congo

The Congo has been the centre of controversy for the last two months as its state-owned mining company, Gecamines, reviewed contracts signed under Laurent Kabila's rebels in 1996

Kamoto, which was plagued by a lack of funds and mismanagement, was expected to produce 2 million tons over the next year

The mine's current output is only 20 percent of that, at 400 000 tons a year

Hans Smith, chairman of Iscor, said negotiations on a definitive agreement were progressing well The company expected the deal to be formalised by March this year and hoped the mine would enter full production by 2001

Iscor expected to generate a real return of up to 25 percent on its Kamoto investment

The company's interest in the Congolese operations are in line with its hopes to expand its base of products to include copper and cobalt over the next few years

Ben Alberts, Iscor's head of mining, said the company was part of a consortium of international mining companies preparing a feasibility study for the development of copper resources in the Group West section of the Congolese copperbelt, of which Kamoto was a part

Details of the Group West consortium projects have not yet been disclosed, but the mining rehabilitation project is expected to cost more than $1,2 billion

Iscor said the Kamoto mine was separate from the contentious Kolwezi high-grade copper tailings project in the south It was not clear whether the consortium deal would roll over to other operations in the Kolwezi area.

Water supply permit allows Iscor investments to go ahead

Nicola Jenvey

EMPANGENI — Bulk water supplier Mhlathuze Water granted Iscor a temporary water permit at the weekend, allowing for anticipated growth in the Empangeni-Richards Bay area over the next three years

The agreement, subject to certain undertakings by the supplier, follows several months of negotiations between Iscor, Mhlathuze Water and the water affairs and forestry department Mhlathuze Water has also entered an agreement with Iscor for short- and long-term water supplies

Mhlathuze Water CEO Derek Vorster said the department had been loath to issue another permit to extract water from the Mhlathuze River system, since this would exceed the river system's assured yield This caused delays in acquiring the permit However, Iscor reasoned that unless the bulk water supplier issued it a permit, no decision could be made on whether to proceed with investments

This was resolved when the water supplier undertook to construct the Tugela-Mhlathuze permanent transfer scheme to transfer water from the Tugela River to the Goedertrouw Dam and into the Mhlathuze River system

Planning to assure a long-term raw water supply to the greater Empangeni-Richards Bay area began several years ago when Mhlathuze initiated a study into the most feasible method to achieve this

The study culminated in a white paper to transfer water from the Tugela River into the Goedertrouw system

However, due to its present fiscal restraints and changed government priorities, the water affairs and forestry department announced it was unable to construct the permanent transfer scheme

Mhlathuze Water agreed in principle to undertake the work to ensure the greater Empangeni-Richards Bay area had sufficient water for present and future growth The project is expected to take three years to construct (189) BD 2/3/98

'Plot to sow chaos' at Saldanha

(189)

From page 1

ARG 4/3/98

rampage and damage the site

When it seems that construction deadlines will not be met, a labour broker approaches management and offers the services of skilled artisans at a fee above the market rate to finish the project, the report says Labour brokers are alleged to be behind the syndicate

Initially, workers at Saldanha said violence erupted when 20 of their colleagues were randomly fired They said they were not happy with their diet and on-site living conditions

The report says the workers' 18 grievances were not of such a nature that they would have led to violence

Mr Williams has had meetings with police, intelligence officers and various ministries over the past week to brief them about the situation

The report names Jumbo Solomons, the outspoken self-appointed leader of workers at Saldanha Steel, as leader of the instigators, He was among 20 independent contractors demobilised last month

He was arrested last week on allegations relating to the violence and burning of property at the plant

He is out on bail, but attempts to speak to him have been unsuccessful His brother, Mario Solomons, told the Cape Argus Jumbo Solomons was in Durban and couldn't be reached

Mr Williams's allegations have been confirmed by Numsa and the Metal and Electrical Workers Union, which have conducted their own investigations into the causes of the violence at Saldanha Steel

Numsa organiser for the Saldanha area Karl Cloete also has compiled a confidential report on the causes of the violence It names Jumbo Solomons as the alleged ringleader of the instigators

"The bottom line of this sinister group is that they stop at nothing short of their aims and objectives In the event of there being opposition to their plans, they would simply kill those who stood in their way," he said.

Mr Cloete added that in the past two weeks he had had death threats He had told police about this

Mr Cloete's report also suggests the involvement of well-known Cape Flats gangsters This allegation could not be confirmed, however

Mr Cloete said. "Labour has become an expensive and profitable commodity to sell That is why you have syndicates of this nature wanting to invade the labour market."

Saldanha Steel chairman Bernhard Smith confirmed that management had similar suspicions

Sinister syndicate 'behind Saldanha chaos'

(189) ARG 4/3/98

THABO MABASO
BUSINESS REPORTER

A sinister syndicate which preys on construction sites, fomenting labour unrest for profit, has been blamed for violence that halted the multi-million-rand Saldanha Steel project last month.

The claim is contained in a confidential report to Labour Minister Tito Mboweni by the provincial director of the Department of Labour, Brian Williams

The allegation is supported by the powerful National Union of Metal Workers, which says the group will stop at nothing in pursuit of its aims and will simply kill those who stand in its way

Mr Williams's report recommends that Mr Mboweni facilitates the establishment of a taskforce, comprising police, intelligence personnel and the ministries of finance and trade and industry, to investigate the activities of the syndicate

The report alleges the syndicate's modus operandi is to infiltrate construction sites using artisans who instigate uprisings by exploiting workers' demands

In most instances, the workers go on the

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Syndicate 'provoked Saldanha labour unrest'

X(189) CT 6/3/98

MELANIE GOSLING

A WORK stoppage at Saldanha Steel construction site yesterday was directly linked to a syndicate which provoked labour unrest for profit, a union official said

National Union of Metal Workers organiser for the Saldanha region, Mr Karl Cloete, said yesterday the work stoppage was a "last ditch attempt" by the syndicate to gain credibility among workers

"These guys in the syndicate come from Durban and have infiltrated the labour market all over South Africa

"They move onto the site as part of the workforce, and when they hear of any workers' problem, they grab it and cause chaos When the site has been disrupted, a labour broker comes and offers labour at expensive prices so the syndicate can make a profit "

This bears out the findings of a report to Labour Minister Tito Mboweni, which alleges that the syndicate operates by infiltrating construction sites using artisans who instigate uprisings by exploiting workers' demands The workers go on the rampage, as happened at Saldanha Steel last month

The report outlines exactly the same method — including the labour broker's role and the higher wage angle — as explained by the union

Said Cloete. "There is definitely an organised syndicate involved at Saldanha, and these people are known to us We're now putting mechanisms in place to deal with the situation

"We've had meetings with key roleplayers like the Department of Labour, Trade and Industry and the unions Names of the syndicate were shared at these meetings

"The unions are also ensuring that workers at Saldanha are not intimidated into striking by these guys Of course there are worker problems on site, but the unions were using the structures available to deal with them," he said

It is unclear how many workers downed tools yesterday, but when the *Cape Times* visited the site in the afternoon, most were back at work. No equipment was damaged

Police were on standby

Saldanha Steel spokesperson Mr Bernard Smith said yesterday about 40 workers were holding talks with management late yesterday "There are 6 500 workers on site, and only 40 are not at work "

He said there was "a lot of truth" in the report given to Mboweni

"Two people have been charged after the violence on site last time One is out on bail

"There are always workers' demands But there are structures which deal with them If a solution can't be found, then labour can strike

"But what happened last month was not a strike, it was a riot It was premeditated and all happened in about a quarter of an hour," Smith said

He said the damaged caused when workers had gone on the rampage, burning buildings, destroying vehicles and computers, had come to about R4 million

"The delay it caused meant we lost about R40m," Smith said

*'What happened last month was not a strike, it was a riot' — **Saldanha Steel spokesperson***

BTR compensation unresolved

BD 9/3/98 (189)

Reneé Grawitzky

THE National Union of Metalworkers of SA (Numsa) was likely to argue that the 970 workers dismissed by BTR Sarmcol after a three-day strike in 1985 over recognition coupled with May Day could not receive compensation based on salaries earned 13 years ago

This emerged at the weekend after the Appellate division of the High Court on Friday overturned a decision handed down by the Labour Appeal Court in December 1995 and held the dismissals to be unfair

The 13-year legal battle is still not over as the court has referred the case back to the Industrial Court to determine the compensation for the dismissed workers, some of whom have died in the intervening years

Pam Stein of the law firm Cheadle, Haysom & Thompson, acting on behalf of the dismissed workers, said yesterday the referral back to the Industrial Court could result in further protracted litigation If the matter could not be settled in a acceptable manner, "we could be looking at completely new hearings on compensation"

It is understood that last year during a visit to Howick, President Nelson Mandela appealed to BTR management to settle the matter

The company resurrected a previous offer of R1,5m, which amounted to R1 500 a worker, while the average worker had 25 years' service. This was again rejected

After six hearings by various courts since 1987, three Appeal Court judges held the dismissals to be unfair and two argued against this

Judge Pierre Olivier supported by two judges found that although the strike had been unlawful in terms of the old Labour Relations Act, BTR had been to a large extent to blame for the strike and that its real desire was to get rid of the Metal and Allied Workers Union (Mawu) and its members In addition, BTR had pursued a preconceived policy of selective re-employment to ensure that Mawu and its members would not return to the factory

Olivier said BTR's true motive had been borne out by the fact that after the dismissals, union grouping Uwusa got access to recruitment "without having to overcome obstacles placed by BTR in Mawu's path"

The Labour Appeal Court, Olivier held, had misdirected itself and on that basis it did not preclude the court from holding the opposite view. In a minority judgment, Judge DG Scott argued that the appellate division was not entitled to interfere with any of the factual findings of the Labour Appeal Court

Olivier said there was a basic "misconception in the reasoning" of the court "It perceived a correlation between a strike, which it characterised as the ultimate weapon for the union and dismissal, which it saw as the employers' ultimate weapon " The judgement suggested, recourse to the one automatically legitimised recourse to the other The Labour Appeal Court, he said, reached its decision that workers were fairly dismissed because they did not capitulate completely and were consequently not entitled to reinstatement, "on a faulty perspective of the legal position".

Judge JW Smalberger, in a minority ruling held the dismissals to be fair and, in line with the Labour Appeal Court, said workers' "loss of employment was essentially of Mawu's and their own making and not due to an unfair labour practice on the part of BTR"

Numsa welcomed the decision and said "we won the case on merit and we knew that our members were unfairly dismissed, thus we persuaded our members not to give up"

BTR buyout: Page 14

Labour broker denies link with sinister syndicate

ARGT 10/3/98 (189)

THABO MABASO
BUSINESS REPORTER

A labour broker cited in confidential reports about a syndicate which instigates violence at construction sites for profit has applied for an urgent court order to stop Saldanha Steel linking him to the syndicate.

ABC Recruitment managing director Gavin Zietsman alleged in papers in the Cape High Court yesterday that Saldanha Steel industrial relations manager George Kerridge had been spreading rumours about him that stood to harm his business.

Mr Zietsman's company and black empowerment group, Daluxolo, formed a joint venture, Saldanha Central Services, last year to supply labour to the steel project.

Mr Zietsman told the Cape Argus Mr Kerridge had accused him of being involved in a country-wide syndicate of labour brokers which destabilises sites for profit.

Separate reports compiled by the Western Cape Department of Labour and the National Union of Metalworkers of South Africa allege that the violence at the Saldanha Steel project in February was perpetrated by agents of the syndicate. The reports recommend the establishment of a task-team to investigate the syndicate.

The syndicate is said to infiltrate construction sites using artisans who instigate uprisings by exploiting workers' demands. Labour brokers then approach site managers offering them the services of their artisans at fees above the market rate.

Mr Zietsman has denied the allegations. The reports also name Jumbo Solomons, the outspoken self appointed leader of workers at Saldanha Steel, as one of the instigators.

Mr Zietsman said: "I categorically deny that labour brokers were behind the events of February 3 at Saldanha Steel."

Lawyers for Mr Kerridge will oppose the application. The hearing has been postponed to June.

Meanwhile, Mr Solomons, whom the Cape Argus tracked to his home in Durban, has denied reports that he is employed by corrupt labour brokers. "To say I work with brokers is silly. Labour brokers have been exploiting workers so I do not work for them," he said.

BRENTON GEACH

Welcome: German President Roman Herzog and President Mandela in the city today

Mandela and Herzog sign housing loans

ARGT 10/3/98

Cape Town – President Mandela and German President Roman Herzog today signed accords including almost DM90-million (R243-m) in low-cost housing loans.

"We are very, very proud to have the German president here," Mr Mandela told tourists who had gathered at the gate to Tuynhuys to watch a brass band and navy guard formally welcome Mr Herzog.

"Germany was one of our strongest supporters," he said as the crowd cheered and clapped.

Mr Herzog arrived in South Africa on Sunday on a five-day state visit accompanied by a 100-strong delegation, including prominent business people.

Agreements signed included loans to improve urban housing, a maritime shipping pact and an environmental co-operation accord.

Mr Herzog was due to meet Deputy President Thabo Mbeki later today and address Parliament before a state banquet hosted by Mr Mandela. – Reuters

Development of steel industry 'govt strategy'

BD 24/3/98 (189)

Samantha Sharpe

CAPE TOWN — SA's spatial development initiatives offered exciting opportunities for the steel industry, including a shift in emphasis from primary steel exports to the internationally competitive manufacture of value-added products, President Nelson Mandela said yesterday

Addressing a meeting of the board of directors of the International Iron and Steel Institute, Mandela said the initiatives were helping to realise the potential of a steel industry which had stagnated in the 1980s and early 1990s and which did not match the growth rates of many developing countries

"We think of the Saldanha iron and steel plant, close to completion on schedule, of the Columbus stainless steel plant, and of the project being evaluated for a major iron plant in Maputo that will use SA ore and Mozambican gas to produce iron for the international market

"And we think of plans for a mini-mill in the Eastern Cape at the Coega harbour, a decision on construction is of which is close to finality These are investments on a scale to raise the international profile of SA and southern Africa in the industry," Mandela said

He said iron and steel had an important place in government's strategy to unleash the full potential of the country's natural resources and its people However, central to this was a partnership between government, business and labour, whatever their differences, including collaboration on the development of particular industrial sectors.

"Through the partnership of public and private sectors, investment resources far beyond the capacity of government are being mobilised The partnership of southern Africa's neighbours at last allows the location of production capacity to be decided on economic logic alone," he said

Sapa reports that Mandela said he was astonished by the way in which the previously advantaged groups in SA were sharing their resources with the previously disadvantaged

Apart from government's efforts, the advantaged were also delivering resources to the people, he said Last year, for instance, he had been able to persuade various companies to sponsor children at schools

Mandela said the government's experience over the past four years had shown that in many ways the struggle for freedom had been easier than solving the problems of governing a modern, industrialised country

Many of those who had entered government had possessed no skills, and as a result many mistakes had been made, he said.

Mandela said he went to bed every night feeling strong because all sectors of society were rallying behind the battle cry "Let us build our country"

Four years into its political transition, SA enjoyed political stability to a degree that had confounded its sceptics

A partnership of all social structures was rebuilding the country The partnership of government, business and labour was based on an overriding commitment to finding solutions, he said —Sapa

Columbus faces US antidumping suit

BD 30/3/98 (189)

Simon Barber

WASHINGTON — Columbus Stainless is expected to be hit with a US antidumping suit tomorrow, probably forcing it to suspend exports of stainless steelplate to the US

Industry officials said the suit, which also targeted producers in Spain, Italy, Belgium, South Korea and Taiwan, was to be filed by Lukens Steel and Allegheny Teledyne, both of which had recently blamed their disappointing performance on competition from imports

Lukens is being bought by Bethlehem Steel, which has agreed to sell most of Lukens' stainless steel operations to Allegheny

Antidumping action has already forced Iscor and Highveld Steel and Vanadium, which owns 30% of Columbus, to give up sales of carbon steel plate to the US market worth an average of $30m a year

Columbus' exports to the US of stainless plate have been running at about 6 500 tons a year, woith about R50m, said Michael Evans of Texas-based steel importer Maurice Pincoffs Evans is also vice-chairman of the US-SA binational commission's business development committee

Although that is a tiny fraction of total US consumption, it represents 10%-15% of US imports, well above the minimum 3% import share needed for the petitioners to go after Columbus under US antidumping rules

Assuming the US international trade commission accepts the suit — and it has rarely, if ever, rejected such a case at the outset — the commerce department will assess preliminary dumping duties on the targeted imports within the next month or so

The duties are designed to raise prices of the imports to what the department calculates they would be if the targeted producers were charging US customers the same as domestic ones, after accounting for transport and other costs

Importers have to pay the duties into an escrow account while waiting for a final ruling from the department and confirmation of the ruling by the trade commission, a politically appointed panel which decides whether petitioners are being harmed by the imports

If it decides they are, the duties become permanent and the importers lose what they have put in escrow If not, the importers get their money back and the case ends

However, the proceedings normally take at least a year and whatever the outcome, eat up hundreds of thousands of dollars in legal fees

Iscor and Highveld stopped shipping carbon steel plate to the US soon after the suit against them was filed in late 1996 That is the standard re-

Continued on Page 2

Columbus

(189)

Continued from Page 1

BD 30/3/98

sponse in steel antidumping cases and one of the reasons why US companies file them.

Even if their petitions are ultimately unsuccessful and more than half are, the petitioners generally achieve relief from imports while their cases work their way through the system

SA producers, though their export volumes to the US are small, are generally considered sitting targets, because they operate a de facto two-tier pricing system and charge export customers less than domestic ones

To avoid duties SA companies have to convince the trade commission that they are not hurting US producers In the carbon steel plate case, Iscor and Highveld failed to do that Instead, they entered into "suspension agreements" with the commerce department, agreeing to let the US government set a minimum price at which they could sell into the US in lieu of having duties of up to 51% slapped on their plate

Under the agreement, SA carbon steel plate is still priced out of the US market One reason is that the other countries targeted in the suit — Russia, Ukraine and China — obtained much better deals than SA They were granted quotas that allow them to sell more plate into the US than SA ever exported here and at prices well below those at which Iscor and Highveld were accused of dumping

David McKay reports that Iscor and Highveld have applied for antidumping measures of their own on Ukranian and Russian exports to SA, the SA Iron and Steel Institute said on Friday

The institute said that Iscor and Hiveld had applied to the SA Board on Tariffs and Trade for interim provisional duties of 80% against dumped imports of hot-rolled sheet and plate from Ukranian and Russian exporters

Vanadium prices: Page 19

FOOTNOTES

Hilary Joffe

Heavy-engineering industry under pressure

(189F) BD 31/3/98

THE Powertech-Voltex deal announced last week highlights some of the key factors pushing for change in SA's heavy engineering-based industries

The deal, the core of which is Powertech's purchase of Voltex's electrical cable-manufacturing operation, which it plans to merge with its own Aberdare Cables, is the first sizeable merger But it fits into a broader trend of rationalisation in the engineering and electrical-engineering sectors, where several companies have cut workforces (Dorbyl and Afrox among them)

Others are selling lossmaking noncore subsidiaries (Haggie) or buying up smaller companies to boost their core operations and analysts predict further consolidation There is talk, for example, of a merger between unlisted Scaw Metals and Haggie, in which Scaw raised its stake to 75% last year

In engineering, as in other SA industries, the race is on to cope with a more competitive environment As inflation has fallen, manufacturers have been under pressure to absorb cost increases At the same time, removal of trade protection has opened the door to more imports

Said Deutsche Morgan Grenfell analyst Chris Veegh "Local buyers are forcing local manufacturers to keep price increases to a minimum, so they have to take costs out and work smarter"

The complex Powertech/Voltex transactions should have a range of financial benefits, for example taking out the Bivec and Berzack pyramids which have done little more than trap value

But the real drivers are operational and marketing efficiencies

Voltex makes electrical (power) cable, Powertech's Aberdare makes power and telecommunications cable Together the two will have turnover of just under R2bn and will rank in the world's top 25 The only really sizeable SA competition is Reunert's African Cables

Cable is a growth market in SA, at least for the next few years as Eskom's electrification programme continues and Telkom rolls out the 2,7-million new phone lines targeted by its Vision 2000 Powertech CE Robert Venter expects the market for telecommunications cable to grow by more than 20% over the next 3 years Growth in power cable demand is levelling off, but is still expected to run at 10-12% a year

But growth generated by the big infrastructural projects may not continue forever and cable imports have for 2-3 years accounted for 15%-18% of the SA market Venter hopes merger synergies will enable the group to recapture some of that share. This year Powertech expects R250m in exports, representing about 12,5% of turnover The goal is to take this over 15% in the next two years and to 20% in three years

Venter said Aberdare and Voltex were historically the two low-cost producers in the cable industry with state-of-the-art facilities The intention is to continue the capital spending which ensured this

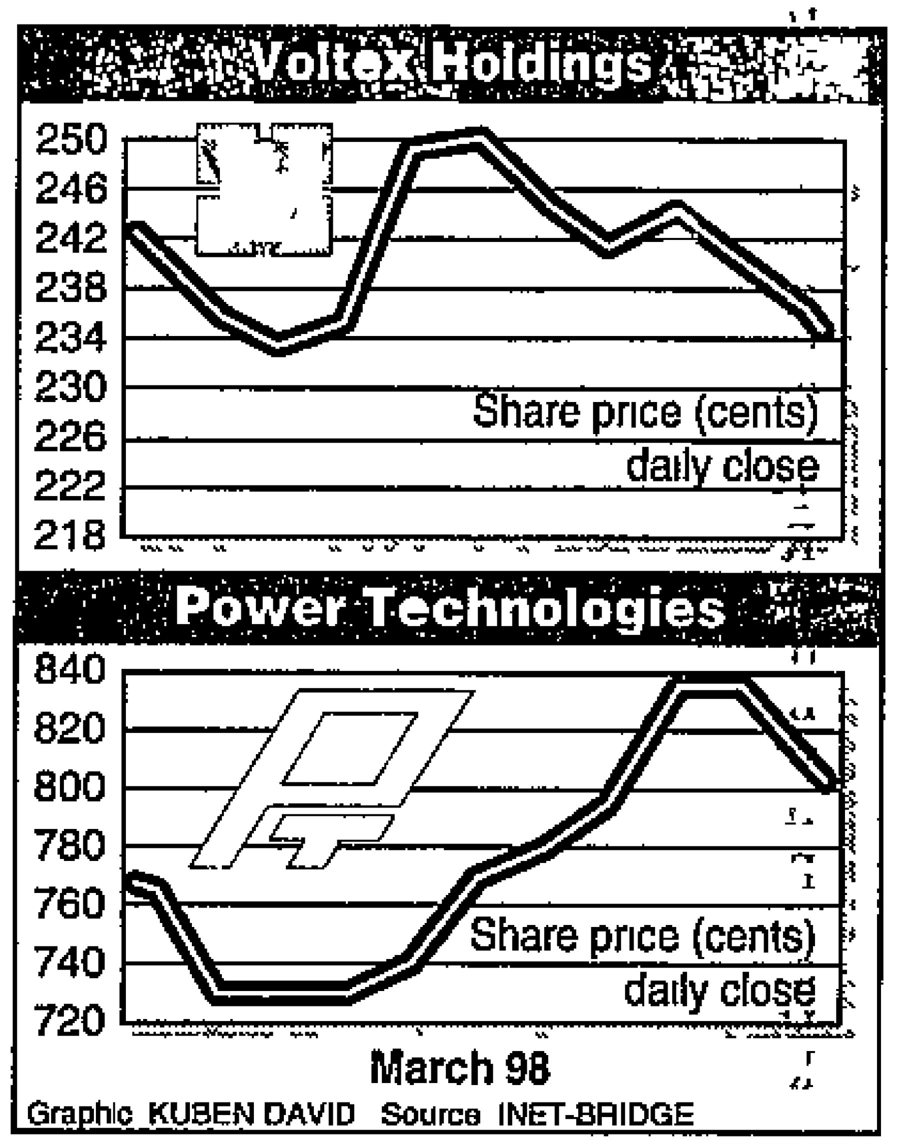
Voltex' strengths are in low voltage cable (used to wire houses or buildings), where Aberdare's are in medium to high voltage. The merged operation will be able to offer a full product range. Venter said this was important in the international market and increasingly in SA, with cable suppliers required to quote on a "full package solution"

The volumes the operation will be able to put through its factories will allow it to produce more efficiently. The manufacturing strategy is to make only one product in each factory and avoid duplication in distribution But Venter does not anticipate job losses, assuming the market maintains its strength and the export drive succeeds

He expects the operation to have greater leverage with suppliers of raw material and equipment

In terms of the deal, Voltex's manufacturing arm will be split from its electrical equipment wholesaling business, in which Powertech is to take a 25% stake Powertech will buy the manufacturing interests for R750m Cable accounts form about 75%-80% of these, with the rest making plastics such as cable insulation, packaging and flexible hoses, as well as electrical products such as light fittings, plugs and adaptors

These are profitable businesses and Venter said that his group intended to keep them



Graphic KUBEN DAVID Source INET-BRIDGE

In time, some could be put in with other Powertech businesses.

Analysts view Aberdare as the jewel in Powertech's crown, likely to provide much of the group's growth in the next 2-3 years Powertech's share has gained 4,4% this month and that of parent Altron is up 21%, but the Voltex share has fallen 4%

Columbus 'could divert exports'

BD 1/4/98 (189)

David McKay

COLUMBUS Stainless, the stainless steel producer facing an antidumping suit from the US industry, could divert its exports to alternative markets, but would fight the action as it had identified the US as a growing market

Marketing director John Rowe said yesterday the loss of "any of its markets" was important, particularly the US which Columbus Stainless believed was "first class"

As yet, an action against Columbus Stainless has not been officially filed, but one was expected shortly which it would defend, Rowe said

In addition to its defence, the SA company will attempt to have exports of proprietary stainless steel brand 3CR12 excluded from the action

Although 3CR12, developed exclusively by Columbus Stainless, is classified as a stainless steel (it contains 12% chrome), it has no nickel giving it the high strength qualities of regular carbon steel but with good corrosion resistance.

No US producers make this type of stainless steel and, as such, it has become a strategically important growth area Although a relatively small 1 200 tons a year of 3CR12 is exported to the US, the product has nevertheless been niched for use in the fabrication of US railway trucks

US producers contend that Columbus Stainless exported 6 500 tons of hot rolled plate and 1 200 tons of 3CR12 at prices harmful to local industry The total tonnage of 7 700 tons is equal to 3,2% of the US steel plate market, totalling about 240 000 tons a year

Rowe said it was ironic that the antidumping suit should coincide with the recent visit of US President Bill Clinton to SA

Clinton called for less development aid and more constructive trade between the two countries

Columbus Stainless, in which Anglo American company Highveld Steel & Vanadium and Billiton unit Samancor each own about a third, has struggled to make its multibillion-rand expansion pay so far

Although it has been lifting the output and edging towards breakeven, the US steel industry's suit would do it no favours, analysts said. However, the action would not be terminal to Columbus's expected recovery, Rice Rinaldi analyst George Grohmann said

Numsa links wage hike to inflation

(189)

By Abdul Milazi Sowetan 1/4/98

THE National Union of Metalworkers of South Africa (Numsa) will be focusing on getting inflation rate-based wage increases this year as it goes to the annual wage negotiations late this month

Numsa spokesman Dumisa Ntuli said workers had been fighting for inflation rate-based wage increases for years to no avail "Employers are reluctant to pay inflation rate-based increases when it is high but are quick to argue that our demands are too high if inflation is low," Ntuli said

Numsa would also be gunning for higher increases for workers on the lowest wage scale in a bid to close the wage gap between the highest paid and the lowest paid workers

The union would once again bring up its demand for wage increases to be implemented onto what workers actually earn as opposed to the increase being added onto the industry's minimum wage – a move which threatened to derail wage negotiations last year

Ntuli said for years employers had added increases onto the minimum wage and this had deprived those workers earning above the minimum wage

Numsa would also attempt to extend the scope of agreements in the motor industry to cover former homelands and to extend the agreements in the auto and tyre sector to cover salaried staff

"We are also looking at taking control of provident funds to shift control of these funds from management to workers," said Ntuli

He said Numsa would also fight for contract workers to enjoy the same benefits and conditions of employment as permanently employed workers

"Outsourcing should be negotiated and it should not lead to loss of jobs, while there should be six months notice of the introduction of new technology"

Numsa would also be demanding that education and training take place during working hours and be paid for by the company

The union was also demanding that agreements on non-wage issues be negotiated every five years while wage agreements should be renegotiated annually

"The scope of the main agreement in the engineering sector must cover the entire industry while companies who are not part of the agreement should be brought in over an agreed period"

Steel barons in global tit-for-tat over cheap steel imports

Columbus Steel has joined the fray as allegations of market manipulation proliferate, writes DON ROBERTSON

ST(DT) 5/4/98 (189)

SOUTH Africa's steel giants are involved in a tit-for-tat game with Russian and American players over allegations of dumped steel imports Last Friday, the SA Iron and Steel Institute, on behalf its members, brought an action against cheap imports of plate, hot-rolled sheet and coil from Russia and the Ukraine.

The institute asked for a provisional duty of 80% on the price of imports.

On Monday, four US steel producers and the US Steelworkers Union filed a similar action in the US, claiming dumping of stainless steel by Columbus Stainless Columbus is a member of the SA Iron and Steel Institute

Explaining the Iron and Steel Institute's petition, Werner Höne, GM of marketing strategy at Iscor, says steel imports have risen substantially recently and, are being sold below local prices

A total of 82 548 tons of plate, hot-rolled sheet and coil were imported last year, of which 34%, or just over 28 000 tons, were from Russia and the Ukraine The fob price of the steel from a Black Sea port was listed as R1 289 a ton, and with shipment and transport costs of about R300 a ton, it would sell locally at R1 589 Iscor's price for the same product is R1 750 a ton

'It is seen as the actions of big brother Iscor. Similar action could be used against other countries'

More significant, however, says Höne, were imports of 34 328 tons in January, of which 62% or 21 555 tons were from Russia and the Ukraine. The fob price was reduced to R1 054 a ton which, with the R300 shipment costs, allowed sales to be made here at R1 354 a ton In the year to June, Iscor sold 2 9-million tons of steel products in the domestic market

Last year, anti-dumping action taken in the US forced Iscor and Highveld to abandon sales of steel plate to the US, valued at more than R150-million a year Höne concedes that Iscor adopts a two-tier pricing system with domestic sales at higher prices than tonnages destined for export, although the ex-works price is the same

"If we did not export, we would go out of business," he says

Johan Human, director of dumping investigations at the Department of Trade and Industry, says it is necessary for the petitioners to make a prima facie case against the importers, showing that the steel is being sold in SA at a price lower than their own domestic prices, and that these sales are causing "material injury" to those concerned

This usually takes between eight to 12 months to verify, and in the interim, usually about four months after the action has been instituted, an additional duty may be imposed on the imports

One importer says he doubts if sufficient imported tonnages are reaching these shores to warrant the application "It is perceived as the actions of a big brother (Iscor) and if successful, a similar petition could be used against imports from other countries"

He foresees imports from Korea and other South East Asian countries posing 'a bigger threat An import agent says because of the rand depreciation over the past year or so, imports have largely become too expensive "We have had to turn away orders, because of the price"

Columbus says it is evaluating its options regarding the action brought against it in the US A second action for countervailing duties on government subsidies, largely through the state-owned Industrial Development Corporation's participation in Columbus, has also been made

Columbus exported 7 749 tons of stainless steel plate to the US last year, of which 1 700 tons was made up of 3CR12, a product developed and made exclusively by Columbus The action refers in particular to stainless steel plate The petitioners claim that Columbus exported 2 386 tons of this product in the US last year

Steely resistance to coil as Columbus faces uphill battle

(189) ØD 8/4/98

Protectionism is what the US government is really practising with regard to the Columbus Stainless steel case, writes Simon Barber in Washington

US STEEL companies and labour unions are turning to their favourite plastic surgeons, namely the commerce department's international trade administration and the US international trade commission, in order to firm up drooping prices

It's one of the few forms of outright protectionism still permitted by the World Trade Organisation (SA does it too) Protectionism is what the antidumping and countervailing duty claims filed against Columbus Stainless and producers in five other countries last week are all about

The petitioners, led by Armco, a Pittsburgh-based speciality steelmaker which had quite a good year last year, posting sales of $1,8bn up from $1,7bn in 1996, are seeking to stem imports of coiled stainless plate, which last year reached 33 438 tons with a customs value of $51,5m Of that, Columbus contributed 2 386 tons worth $3,4m

Armco and its allies, including the United Steelworkers of America, are not all that concerned about whether their 300-page suit (not counting the accompanying library of exhibits) will prevail in every particular

Their primary object, as almost always in such cases, is a short-term window in which to sustain price hikes. Many, after all, are customers of the producers they are now harassing

The petitioners want a 37% dumping duty slapped on Columbus's stainless coil That number represents what they calculate was the average difference between Columbus's US asking price for coil in the fourth quarter of last year and the higher prices it charged in its home market, or — and here things get very tricky — what they would have charged had it not already been selling below its cost of production

Also, the petitioners claim that Columbus has been receiving all manner of government subsidies, including access to cheap capital via the Industrial Development Corporation (IDC), Highveld Steel's and Samancor's partner in the project

The subsidies allegedly give Columbus an unfair price advantage over US producers and should therefore be offset — countervailed — by additional duties to be determined after US bureaucrats have rummaged through everyone's books

What the petitioners are relying on is the readiness of the commerce department and the trade commission to set in motion the lumbering process of investigating and adjudicating such claims

Statistically, virtually every steel case ever filed has passed the initial laugh test because the system has zero sense of humour and also because almost everyone dumps steel as dumping is defined in US law

Once a case has been accepted, it is up to the commission to determine which of the petitioners have actually been hurt as a result of the foreign practices they allege and for the commerce department to set preliminary duties.

That all normally takes a couple of months. Then the proceedings trundle on, running up huge legal bills for the respondents, for another eight months or so until commerce comes up with a final duty, which may or may not be confirmed by the commission when it gets round to making its final injury determination

More often than not, the commission rules against the petitioners at this point — as it did, for example, in a recent suit involving SA steel pipe, although Highveld and Iscor were less lucky last December in a steel plate case

Win or lose, however, the petitioners come out ahead because importers tend to be nervous about buying subject products once preliminary duties have been assessed They must pay deposits on the duties, which they lose if the final judgment is adverse

Columbus's shipments of stainless coil have been small enough that it ought to prevail at the injury phase if it can persuade the commission to consider it separately from the others targeted in the suit

Of course, the same could be said about Highveld and Iscor in last year's plate case and not only did the commission decline to distinguish between the SA respondents and the other far bigger ones — Ukraine, Russia and China — but the commerce department treated the former far more harshly even though, unlike the others, they had not been underselling US producers to any meaningful degree

What would be really disturbing in the coil case would be a commerce department finding that the IDC's participation in Columbus was a countervailable government subsidy That would open export-predicated minerals beneficiation projects all over southern Africa to harassment if they started to win US market share

In 1993, the department rejected a petition for countervailing duties on various Iscor products after deciding IDC finance had not been used to subsidise their manufacture Washington trade lawyer Marcela Stras, who represented Iscor in that case, said the US government had decided the IDC's involvement had been on commercial terms and equivalent to that of a "prudent investor"

Care needs to be taken to ensure the department reaches the same conclusion about IDC's stake in Columbus That means, among other things, that government should not have qualms about making its views known

IDC briefs govt on eve of antidumping case

John Dludlu (189) BD 14/4/98

THE Industrial Development Corporation (IDC), cited as a respondent in the US antidumping suit against Columbus Steel, has briefed government about developments in the case as the parastatal prepares its defence for what it labels the "cry baby" behaviour of its US counterparts

Four US steel firms and labour unions joined forces to petition the US commerce department to impose countervailing duties on stainless steel plate in coil which Columbus Stainless has been shipping to the US since 1995 The IDC, a state-owned corporation, holds a stake of about 33% stake in Columbus which manufactures stainless steel Other major shareholders in Columbus are Highveld Steel & Vanadium Corporation and Samancor

The US petitioners alleged that Columbus Stainless had received a package of three "countervailable" benefits or subsidies from government· an infusion of start-up capital, accelerated depreciation allowances and loans at preferential rates.

Khaya Ngqula, the IDC CE who is due to leave tomorrow to attend the US hearing, said at the weekend that the corporation had written to Trade Minister Alec Erwin (minister responsible for the IDC), President Nelson Mandela and his deputy, Thabo Mbeki, notifying them of developments However, none was available for comment yesterday.

Ngula said that the petition showed that the "honeymoon" (with the US) was over "As SA gets more competitive, we get opposition," he said, pointing out that SA's steel, helped by competitive labour costs and cheap electricity, was winning markets in the US The petition was a bid to protect US jobs, he said

He denied that the corporation was subsidising anyone "We are profit-driven"

Ngqula expressed his confidence that the parastatal had a strong case, and emphasised. "Our books are open"

The significance of the case was underlined by Ngqula's decision to attend the hearing himself rather than delegate this to other IDC executives. He said the case was crucial to SA's economic strategy.

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CONT

Iscor to review financing of Saldanha Steel project

(189)

BD 16/4/98

IRON and steel group Iscor is to review the structure of the financing package for the R7,1bn Saldanha Steel project.

Executive chairman Hans Smith said persistent high interest rates had prompted the decision, taken with co-sponsor the Industrial Development Corporation (IDC)

The project was heavily geared, and with interest rates "not coming down as fast as we had anticipated" the financing structure for Saldanha was not "necessarily as efficient as it could be", he said

Saldanha will be the country's largest steel producer when it comes onto full stream in early 2000

"We and the IDC have reached an in principle agreement that we will look at the structure The first time we need to take a decision on it is by August or September of this year," Smith said

IDC general manager Marius Mostert said the recapitalisation of the project's balance sheet was a possibility, mainly through additional shareholders funds, to ensure that it was properly structured

He declined to say how much capital might be injected, but said it would be "sufficient to ensure the viability of the balance sheet" He said the decision was prompted by high interest rates and did not conceal more fundamental problems such as an increase in costs

Iscor and the IDC had each put in equity worth R750m, while the rest of the financing was in concessions and loans, he said Of those loans, the project had already drawn R5,5bn

Smith said if market expectations of lower interest rates were met later in the year restructuring might not be needed The decision to examine the structure had been taken as a precautionary

The Saldanha's steel-making plant was on schedule to start commissioning by the end of the month, with production of the first hot rod coil expected two weeks later

The iron ore plant is behind schedule by a month due to labour disruptions, but the project is otherwise on track

"Everything is going to plan, commissioning is right, capital spending looks right, its very much under control," Smith said — Reuter

NEV

Widely differing demands and offers will dominate bargaining negotiations

Numsa, Seifsa on collision course

CT(BR)16/4/98 (189)

Frank Nxumalo
Labour Editor

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) and the Steel and Engineering Industries Federation of South Africa (Seifsa) are on a collision course in this year's bargaining council negotiations as they differ widely on demands and offers respectively

The parties kick off their annual negotiations next Thursday

Michael McDonald, director of Seifsa's economics division, said wage increases in the past few years had been above the inflation rate, but this year, "increases lower than the inflation rate" were desirable if the industry was to remain competitive in the short to medium term

He said increases above the inflation rate had resulted in low productivity benefits

"Things in the manufacturing industry are not looking good, so to look at increases above the inflation rate is quite irresponsible," McDonald said

At about 5,6 percent, the inflation rate is far below the wage increases ranging from 12,5 percent to 29 percent demanded by Numsa and other industry trade unions

Numsa accused Seifsa of applying "double standards"

"They (Seifsa) are reluctant to pay inflation-rate based wage increases when it's high but insist on them when it is low I think they are applying double standards We are headed for a major battle this year if they don't meet our demands," said Dumisa Ntuli, the Numsa spokesman

Labour analyst Gavin Brown said in the light of so many job losses in the industry, Numsa demands were "too far from reality"

Brown said that though it was early days yet, most of the movement necessary for a settlement would have to come from Numsa

Control over the industry benefit funds of R23 billion was another problem facing the parties The funds are equally controlled, but Numsa is demanding total control

Seifsa, which represents 70 percent of the 9 000 companies in the industry, argued that "as Numsa represented only about 50 percent" of the industry's 217 000 employees, "it will be a problem to simply hand over control of the funds"

"We believe it is workers' money, but the way the money is used is not in the workers' interest," Numsa said

The unions will also be demanding a 40-hour week without loss of pay, increased paid sick leave and a severance payment of three months' earnings for each year of employment

Unions table 92 demands

(189)

Sowetan 16/4/98

By Coletane Markham

UNIONS in the metal and engineering sector have started this year's annual wage negotiations by tabling no fewer than 92 demands, including a wage increase significantly higher than the inflation rate

The nine unions in the industry will ask for wage increases ranging from 12,5 to 29 percent and a minimum wage of no less than R2 000 a month (R452 up from the present minimum of R1 548) at industry-wide negotiations that start on April 23

The 41 employers represented in the Steel and Engineering Industries Employers Federation of South Africa (Seifsa) have not yet met to formulate a mandated response

However, they have already indicated that wage increases above the rate of inflation are hardly likely given present economic realities

"We have continued to give wage increases above the inflation rate for the past four years without any productivity gains

"This year increases will have to be below inflation and will probably continue to be so for the next few years," head of Seifsa's economics division Michael McDonald told a media briefing yesterday

Economic fundamentals

McDonald outlined a number of economic fundamentals which he said employers would consider when deliberating this years' wage negotiations

These included an expected drop in real growth rates in the economy due to the fallout from the Asian crisis, weaker export growth and increased international competition as a result of recent cuts in import tariffs

The consumer price inflation rate is also on a downward trend and is expected to be about six percent this year

Real growth in the economy declined from 3,4 percent in 1995 to 1,7 percent in 1997 and is not expected to rise much above two percent in 1998

"Employer perceptions that wages in the industry are too high are not without foundation

"Since 1981 real wages have increased by over 15 percent

'At the same time due to a major change in the labour mix in the industry add on labour costs have increased from 20 to 26 percent of total labour costs," Seifsa said

Seifsa's response to wage demands criticised

(189)

Pearl Sebolao

BD 17|4|98

THE National Union of Metalworkers of SA (Numsa) has criticised the Steel and Engineering Industries' Federation of SA (Seifsa) for the federation responding publicly to trade unions' wage demands before negotiations commenced

The response from Seifsa to the demands before the opening of negotiations was a clear indication that employers were "still displaying an old paternalistic style of conducting negotiations", Numsa spokesman Dumisa Ntuli said yesterday

The federation was supposed to listen to the union's motivation before rejecting its demands, which were inflation linked, Ntuli said

The trade unions are demanding wage increases ranging from 12,5% to 29% and a minimum wage of R2 000 The federation said on Tuesday it would fight such high wage increases when the parties began negotiations next Thursday, in favour of increases that were in line with the inflation rate

Numsa — one of the nine trade unions in the engineering sector — denied that wages in the sector were too high, saying instead that the union's main focus this year would be to ensure that employers gave "real" increases as many workers still lived below the bread line

"We are going to argue for an improvement factor, which would definitely be above the inflation rate," Ntuli said

He said the union was prepared to fight Seifsa over their wage demands and was anticipating that negotiations would hit a snag

Numsa said that wages and an economic downturn were not the main contributors to the lack of competitiveness in the industry

It blamed problems in the industry on employers' resistance to union proposals on transformation, training and the reduction of grades

Steel industry in for hard bargaining

ST(BT) 19/4/98 (189)

WAGE NEGOTIATIONS

By DON ROBERTSON

NEGOTIATIONS between the Steel Engineering Industries Federation of SA (Seifsa) and the nine trade unions, which begin next Thursday, are destined to be tough

The unions want a wage increase of between 12 5% and 29%, while Seifsa proposes rises at below the inflation rate

Seifsa has listed four new proposals to add to the main agreement which ends on June 30 The unions have listed an additional 92 proposals.

The negotiating forum is due to have follow-up meetings on May 15, and June 10 and 23 However, Dave Carson, director of industrial relations at Seifsa, said it was unlikely the negotiations would be resolved before July or August

Seifsa represents 41 registered associations, or about 70% of the 9 000 companies in the industry, while the unions represent about 50% of the 27 000 hourly-paid workers

Among Seifsa's proposals are that individual companies should be able to change matters such as working time, overtime and meal break arrangements, the splitting of annual leave, annual shutdown arrangements, dispute resolution procedures and the method of wage payments

The federation also proposes that unpaid short-time wage payments should include provisions for inclement weather which prevents outdoor work

Employers are at present required to give two day's notice before short-time payments can be implemented

Seifsa has also asked for a "peace obligation" to prevent industrial action for the duration of the agreement and ahead of negotiations

MICHAEL MCDONALD

The unions have asked for a minimum wage of R2 000 a month, a reduction in the working week to 40 hours without loss of pay, an increase in shift, overtime and subsistence allowances, 20 days paid paternity and child care leave, increased sick pay, and a severance payment of three months for each year of service. They also want the unions to control industry benefit funds worth an estimated R20- to R22-billion

Seifsa economics division head Michael McDonald said employment in the industry gradually declined from 454 000 in 1981 to 27 000 this year, while average retrenchments had risen to 1 196 a month, up from 1 037 last year. This was brought about largely by companies replacing labour with technology

During 1981, the labour mix consisted of 68% workers with minimal skills, 15% artisans and 17% with higher skills

Last year the labour mix had only 28% with lower skills, 54% with higher skills and 18% artisans, resulting in actual labour costs rising to about 20% above the consumer price index (CPI)

Negotiated increases have consistently exceeded the CPI rate in the last four years, without any perceivable increase in productivity, McDonald said

"Lower than inflation increases are actually required if we are to become competitive over the short to medium term and until such time as real productivity can justify higher increases," he said

Inflation rate 'should peg talks'

(189)

Reneé Grawitzky

BD 23/4/98

NEGOTIATIONS in the metal industry begin today, with the National Union of Metalworkers of SA (Numsa) demanding that the inflation rate be the bottom line for wage negotiations

Numsa negotiator Elias Monage said yesterday wage negotiations should focus on an improvement above inflation The union was demanding a guaranteed inflation-rate increase on actuals plus 9% for the lowest paid workers to 7% for artisans

Monage criticised the argument of the Steel and Engineering Industries' Federation of SA against Numsa's demands, saying it was presented without a strategy to restructure the industry

Numsa also wanted the extension of the council agreement to cover the formerly decentralised areas, with employers in such areas being granted three years to raise wages to the minimums prescribed in the main agreement

Other demands related to extending the sick-pay fund to cover all workers and agreement on establishing a bargaining fee to be used by unions for collective bargaining purposes.

Seifsa has demanded the inclusion of a clause in the main agreement allowing parties at company level to negotiate changing a range of conditions relating to working time arrangements, annual leave and shutdown

Unions to demand larger increases

(189) Sowetan 23/4/98

SALARY demands from South Africa's metal and engineering unions will centre on a guaranteed inflation-related increase, union negotiators said yesterday ahead of a meeting with employers today

At a media briefing in Johannesburg, union spokesman Elias Monage said the unions would also ask for larger increases for lower grades to close the wage gap between lower and higher income earners

The unions would also demand an 18 percent allowance for night shift and nine percent for day shift

He said unions also wanted salary negotiation agreements to cover engineering workers in the former homeland areas

The unions would also demand control of industry benefits, including pension and provident funds, with a view to ensuring that this money was used for development in areas where the most contributors lived

Monage said it was ironic that these funds, which belonged to union members, were being used for development in areas such as Sandton, north of Johannesburg, and other major urban centres around the country while Katlehong on the East Rand was being neglected

He said other demands included a need for medical aid for all workers

"If the illness is not work related, we demand that the nature of this illness be a confidential matter between the doctor and the patient," said Monage – *Sapa*

Numsa slams employers on wage offer (189)

CT (MR) 24/4/98.

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) yesterday slammed employers in the steel and engineering sector for negotiating "as if it was 20 years ago under the old (apartheid) order".

The first round of wage talks between the Steel and Engineering Industries Federation of South Africa (Seifsa) and various unions representing 271 000 workers paid hourly began yesterday.

Elias Monage, Numsa's engineering sector co-ordinator, said Seifsa had rejected all the unions' demands and tabled only a below-inflation wage increase of 4 percent

Numsa has demanded a guaranteed increase at the rate of inflation as well as an additional 9 percent for the sector's lowest-paid workers in line with its objective of closing the apartheid wage gap The union asked for inflation plus 7 percent for the comparatively higher-paid artisans in the industry

Numsa also demands an extension of the industry's sick pay fund to cover all workers as well as full control over workers' retirement funds.

Monage said the next round of talks would begin on May 15 Seifsa could not be reached for comment late yesterday

US probes 'unfair' govt support for Columbus

BD 29/4/98

(189)

Simon Barber

WASHINGTON — The US commerce department announced yesterday that it was investigating whether Columbus Stainless received unfair government subsidies through SA's Industrial Development Corporation for its exports to the US

The move was in response to a petition by US producers and labour unions for countervailing duties on Columbus stainless steel coil to offset alleged SA export subsidies The petitioners were also seeking antidumping duties to reflect the difference between Columbus lower domestic and export prices

However, the US international trade commission is considering whether the alleged subsidies and dumping harmed the petitioners, and is set to issue a preliminary ruling on May 15 If the commission finds no harm — which most observers consider unlikely — the commerce department will call off its own investigation, and the case will be closed

The department would look at eight possible subsidies — including "IDC capital infusions" into Columbus, in which IDC was an equal partner with Highveld and Samancor — and tax benefits Also under scrutiny would be any benefits from the regional industrial development programme or the low interest rate finance for promotion of exports scheme

However, the department said it would not consider nine other subsidies alleged by the petitioners Among these were a multishift scheme, to provide low interest government finance for extra production shifts, and a world player scheme to help firms upgrade their plant to compete with imports

The department said it would also consider the petition request for dumping duties on Columbus stainless coil ranging from 4% to 19% Petitioners included Armco, J&L Specialty Steel, Lukens and the United Steelworkers of America labour union

Although Columbus's sales to the US of the targeted product have been low — 2 386 tons last year — 27 855 tons — the countervailing duty suit has set off alarm bells. If IDC participation is found to be an unfair subsidy, not only will all Columbus products be potential targets but so will those of Saldanha, Alusaf and the Maputo iron and steel facility which the IDC is planning with Enron Corporation

IDC CE Khaya Ngqula called off a trip to China this month to fly to Washington for talks at the commerce department

Iscor coking coal, steel exports lower

(189) BD 30/4/98

David McKay

ISCOR will probably report lower coking coal and steel exports for the year to June, if the trend revealed in March quarter figures released by the group yesterday continues

Output and sales numbers for the nine months to March were also revealed

Analysts said there were no surprises in the figures as world steel prices had been low and Iscor had already decided to import higher quality coking coal, throttling back its coking coal output, particularly at the Durnacol colliery

Deutsche Morgan Grenfell's John Loewen said the group appeared confident of reaching its earnings forecast of 25c a share, which was over double its performance in the first half of the financial year

Freight and rail availability and the financial crisis in the Far East figured prominently in the results In the March quarter, iron ore exports increased 18% to 4,5-million tons, compared to the same period last year, mainly owing to improved throughput on the Sishen-Saldanha railway

Coking coal exports fell 41% to 105 000 tons in the quarter due to lower availability at the Richards Bay Coal Terminal

In the steel division output remained stable, although Vanderbijlpark lifted output Domestic steel sales were level quarter on quarter, but export sales deteriorated about 10% to 505 000 tons

Iscor said the Asian economic crisis had affected steel export demand, with the result that volumes had to be diverted to other markets There was a negative short-term impact on export volumes of profit products particularly Iscor said steel exports for the year would fall short of the 2,3-million tons in the previous financial year

SA imposes hefty duties on three Asian countries

BD 6/6/98 (189) (...)

SA SAID yesterday it had imposed hefty preliminary antidumping duties on three Asian nations at the centre of a probe into the dumping of stainless steel hollowware.

The latest issue of the Government Gazette listed China, South Korea and Taiwan as countries that had antidumping duties slapped on them.

Hong Kong, also part of the probe, was cleared by the investigation after it was established goods from the territory were originating from China.

The gazette said the duties would remain in place until October 21 this year.

The punitive duties follow a petition last year by the Southern African Stainless Steel Development Association to the Board on Tariffs and Trade.

In its petition, the association said stainless steel hollowware was being dumped in SA at less than the local cost of the raw material.

"We are very delighted by this development. We think it will be good for the local industry," association executive director Dave Slater said.

He said hollowware from China, Taiwan and South Korea was having disastrous effects on the local stainless steel hollowware industry.

"The total value of imports during 1996 was R60m of which dumping amounted to more than 50%," said Slater. "The cost to the country is probably double that figure if one takes into account lost jobs and missed opportunities within the industry and among suppliers."

Johann Human, trade and industry ministry dumping investigations director, said the three countries would be given time to respond to the preliminary findings of the probe before final duties were imposed.

Human said that no response was received from China and only one company from South Korea replied and that firm was then exempted from preliminary tariffs.

China was handed tariffs in the range of R33,30/kg to R34,91/kg on cookware made from stainless steel, including goods that are exported from Hong Kong.

Stainless steel cookware from South Korea will now attract tariff duties of between R23,94/kg and R27,28/kg.

Taiwan had tariffs of between R21,36/kg and R34,16/kg imposed on its stainless steel cookware. — Reuter.

Hulett Aluminium's hollow circles show solid growth

(189) CT(BR) 12/5/98

SHIRLEY JONES
KWAZULU NATAL EDITOR

Durban — Hulett Aluminium (Hulamin), the Pietermaritzburg-based aluminium producer, had increased its sales of circles into the holloware market by 24 percent over the past year, Peter Staude, the managing director, said yesterday

Circles are cuts of flat aluminium in various alloys, gauges and widths for the holloware industry Downstream manufacturers use them to make a range of consumer and industrial items including pots, pans, electric frying pans and kettles

Holloware accounts for about 10 percent of Hulett Aluminium's markets Staude said the sector's growth potential warranted increased capital expenditure

"The holloware market has flourished over the past decade," he said "This dynamic trend is clearly illustrated by the fact that Hulett Aluminium's circle sales into the South African market alone have increased by 24 percent over the past 12 months "

The company was also relocating and acquiring new equipment for its circles manufacturing operation, Staude said It was decided to add two new circle presses, increasing production by 30 percent

Future growth in this sector was closely linked to Eskom's electrification drive and would be enhanced as more people acquired the disposable income to demand commodity-type cookware, he said

Staude said Hulamin's commitment to develop the local holloware industry would be coupled with an export drive

"With its increased circles capacity, Hulett Aluminium can now supply the large number of established cookware manufacturers throughout Africa," he said

"By providing world class material, the company will be able to bolster its already healthy foreign exchange earnings "

Once completed, the R2,4 billion expansion project would boost Hulamin assets to the same value as those of the entire Tongaat Hulett group at present These group assets are valued at R4 billion

The expansion comprises the redevelopment of Hulamin's existing Edendale factory and the installation of a new hot rolling and recycling plant at Camps Drift, next to the current factory

The new facilities will increase the company's rolled products capacity to more than 150 000 tons, from 50 000 tons a year currently

The mechanical and electrical installation of the company's new cold mill was recently completed ahead of schedule

Construction at Camps Drift is also on schedule for the start-up of the new hot line in February next year

Maputo's aluminium plant set to be a winner

The smelter will be the biggest investment yet in Mozambique, writes JULIE WALKER

ST(BT) 17/5/98 (189)

EXPERIENCE at operating in Africa will stand Billiton in good stead as it embarks on the $1 3-billion Mozal aluminium smelter project in Maputo, Mozambique

The plant, which will produce 250 000 tons of aluminium a year, will be funded partly through equity (38% or $520-million) and the balance debt There are three equity partners, Billiton with 47%, Mitsubishi with 25% and the Industrial Development Corporation with 24% Aided by the European Investment Bank, the Mozambique government will be able to invest $20-million for a 4% equity stake

The total investment will be the largest ever in Mozambique

The senior debt of $670-million will be sourced from South Africa, mainly as export credits against goods and services provided from SA Mozal's financial director, Paul Snyman, says the debt is guaranteed by Credit Guarantee Insurance Corporation and will be syndicated across SA's major banks Another $150-million of subordinated debt will be sourced from five major international funding agencies coordinated by the International Finance Corporation

Alumina will be sourced from Billiton's Worsley, Australia operations at an agreed fixed price equal to 12 5% of the average three-month trading price of aluminium metal on the London Metal Exchange Dave Munro, head of Billiton's aluminium operations, says this is a reasonable arm's-length price Electricity has also been secured under contract prices from both SA's Eskom and the Mozambique supplier EdM, Munro says the first six years are at a very low price, the next six a little more, and highly competitive prices have been secured until 2025

Equity investors will share pro rata in marketing the aluminium IDC's Khaya Ngqula says there are 27 months before production starts, "enough time to contract our sales" Munro says Billiton's share of 125 000 tons is not that great an increment over the 1-million tons it already deals in "It won't be that huge a challenge to place it"

CAVEAT . . . Dave Munro, head of Billiton's aluminium operations

Rob Barbour, who oversaw the erection and completion of Billiton's Hillside smelter at Richards Bay will run the Mozal project During construction there will be up to 4 000 jobs Once operational, Mozal will employ 900, fewer than 100 will be non-local

Munro says the challenge of employing Mozambicans who have no experience of such a project and possibly no work experience at all is not to be underestimated "Hillside was a great success because right from the beginning we tried to choose the right people and improve their skills, not only technical but on the whole process of doing business in a plant This included extensive training, and Rob Barbour's experience will definitely benefit Mozal "

The comments are pertinent in view of news from Hartley platinum mine in Zimbabwe, where project manager BHP uses locals only Hartley's production is barely a third of target as the miners have no work experience, let alone specialised mining skills

An amount of $20-million is included for upgrading of Maputo harbour berths The channels should take handysize 35 000 ton ships, and if the harbour is dredged it could take up to 60 000-tonners

Billiton chairman Brian Gilbertson says Mozal should be a world-beating aluminium producer yielding high quality at low cost The green light for the project depended on Billiton's attracting equity partners, and Mitsubishi and the IDC stepped in There is potential to double capacity should demand dictate

Govt slams 'vested interests' after Columbus ruling

(189) BD 18/5/98

Simon Barber

WASHINGTON — The SA government attacked American "vested interests" after the US International Trade Commission unanimously ruled on Friday that US industry was being injured by subsidised imports of SA stainless steel plate produced by Columbus Stainless

The ruling means the US commerce department will now start to investigate whether, in fact, Columbus has been receiving subsidies whose benefits may be offset or "countervailed" by import duties in order to protect US firms and workers

Responding to a petition by three US firms and the United Steelworkers Union, the department has already agreed to look at eight subsidies that the petitioners claim have given Columbus an unfair price advantage in the US.

That enquiry was contingent on an injury ruling from the trade commission

SA ambassador Franklin Sonn issued a strongly worded statement saying government "was deeply concerned" by the commission's decision.

The "complex and onerous investigation . . will unduly create uncertainty and undercut the exporters' access to the US market", he said.

Sonn also blasted the US steel industry's "vested interests", saying that it was "regrettable" that they "clearly do not share their government's commitment to the fundamental principle of global trade, which is fairness"

SA was not the only country hit by the trade commission's decision, which also gave the go ahead for countervailing duties to be considered on far larger stainless plate imports from Belgium, Italy and South Korea.

At the same time, the commerce department will be considering antidumping duties sought by the petitioners on products from all four countries plus Canada and Taiwan

For SA, the countervailing case is potentially more serious that the antidumping one, even though the petitioners are seeking stiff 37% dumping duties on Columbus product.

The commerce department has agreed to study whether the Industrial Development Corporation's (IDC's) contribution of start-up capital to Columbus, in which IDC is a one-third partner with Highveld Steel and Vanadium and Samancor, represents a countervailable subsidy.

If IDC participation is found to be countervailable, a number of other minerals beneficiation megaprojects in southern Africa could become targets

Sonn said government was "committed to facilitating and supporting the domestic industry" but stressed that "this has been and will continue to be done within the multilateral trading system" and in accordance with its rules.

The commerce department is scheduled to issue a "preliminary determination" on countervailing duties at the end of next month and on antidumping duties in September

Possible Iscor plant closures threaten jobs

(189)

Reneé Grawitzky BD 18/5/98

ISCOR is involved in a major rationalisation programme which might lead to plant closures at its Vanderbijlpark steel operations, possibly leading to the axing of as many as 7 000 jobs

National Union of Metalworkers of SA (Numsa) general secretary Mbuyi Ngwenda warned yesterday against continued job losses in the build up to the job summit next month. He called for a sectoral job summit in the steel and engineering industry, which has seen a loss of 115 000 jobs since 1990.

Iscor management said the possible closure of a mill and blast furnace would be decided at a board meeting on Wednesday These closures could result in 400 jobs being lost However, further restructuring of the remaining Vanderbijlpark operations, possibly including other closures, might result in job losses of up to 6 000 over a two to three-year period No final decisions had been taken.

Iscor's restructuring programme, which began more than four years ago, is aimed at ensuring its international competitiveness Iscor steel division MD Louis van Niekerk said· "If we do not re-engineer the steel industry in SA to become world competitive, we will not have an industry left"

Iscor steel has reduced its work force since the start of the restructuring process from more than 40 000 to 23 000. Last year, Iscor closed its Pretoria works, with 1 200 jobs being lost.

Numsa claimed Iscor was embarking on a "job slashing programme without any clear strategy" Ngwenda said the job losses in Pretoria occurred as a result of the conversion from carbon steel production to stainless steel at a time when the steel price was declining

SMITH

Iscor MD Hans Smith said the restructuring at Vanderbijlpark was not suddenly being dumped on the union. The company had been involved in a restructuring exercise to become internationally competitive for more than four years. All unions had been involved in discussions.

Smith said in view of tariff reductions and new labour legislation which added to labour's rigidity, "government is saying we have to become internationally competitive" Business, he said, could either rise to the challenge or perish.

He criticised labour for implying that the process was not above board and said all the unions had representation on the investigating teams. The unions had been aware for some time of the developments.

He denied claims that possible plant closures in Gauteng had anything to do with the Saldhana Steel project. Saldhana Steel had been mooted for exports, but might well be used to supply the domestic market.

Profit before tax	54 585	51 892

expanding Logans Sportsmans Warehouse chain ...

News

Numsa and Seifsa square up for tough battle on wage demands

ET(DR) 18/5/98 (189)

Frank Nxumalo
Labour Editor

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) and the Steel and Engineering Industries Federation of South Africa (Seifsa) moved closer to a collision course on Friday when Numsa and the rest of the industry's trade unions rejected a revised wage offer of 4,75 percent across the board

Numsa and the Chemical Workers' Industrial Union, both Cosatu affiliates, declared a dispute with Seifsa, which declared a counter-dispute. The parties then agreed to a dispute hearing at the Metal Industry Bargaining Council on May 28.

Last month, Seifsa warned Numsa that it would not consider wage demands above the inflation rate of about 5,68 percent in this year's collective bargaining, to which the union countered that it was prepared for a "major battle" with Seifsa if its demands were not met.

Numsa engineering sector co-ordinator Elias Monage accused Seifsa of "declaring war on metalworkers by blatantly rejecting all our demands".

Monage said Numsa was "anticipating tough battles ahead" this year both in the engineering and motor sectors

Dave Carson, Seifsa's industrial relations director, accused the unions of opening Friday's meeting on a "negative note".

"Without exception, the nine unions rejected all of the employers' proposals for changes to the industry's main agreement," Carson said.

Among the major changes Seifsa wants introduced into the main agreement are for company-level agreements between the parties to alter, modify or replace certain provisions of the main agreement. Numsa wants the main agreement, except the clauses on wages, to cover the entire engineering industry for five years.

Tension after US acts on SA steel

Sowetan 19/5/98 (189)

By Isaac Moledi

TENSION is mounting between South Africa and the United States over the US initiative to countervail stainless steel exports from South Africa to that country

The US has apparently initiated an action against local stainless steel exports to that country after its stainless steel industry complained that competitive South African exports, which are unfairly subsidised, are causing a serious blow to US industry

In a statement, the Ministry of Trade and Industry says it is concerned about the development as the preliminary findings at the weekend by the US International Trade Commission has shown that local stainless steel is causing havoc to the US industry

'This effectively gives the green light to the US department of commerce (Usdoc) to proceed with its complex and onerous investigation which will unduly create uncertainty and undercut the exporters' access to the markets," the ministry says

Consume resources

"The investigation will consume time and resources from the affected firm, the industry and the Government which could otherwise be more appropriately directed in the further restructuring of the industry and improving the wellbeing of the South African economy and society"

The ministry says while the Government is committed to facilitating and supporting the domestic industry, "this has been, and will continue to be done within the multilateral trading system"

The Government, adds the ministry, will fully defend South African interests as it will actively continue seeking to ensure that the investigation is carried out fairly within the multilateral rules

'We are confident that the basis of the allegations are unfounded and that a fair process will confirm this view," it says

The ministry says it is regrettable that the US private sector's vested interests clearly do not share their government's commitment to Africa

Numsa, Iscor reach understanding

(~~258~~) (189)

FRANK NXUMALO
LABOUR EDITOR

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) and Iscor Vanderbijlpark reached a "fruitful understanding" yesterday on the ongoing re-engineering process which will eventually see the parastatal shedding more than 6 000 jobs over the next three years, the company said yesterday

A spokesman for Iscor said: "We are satisfied about the fruitful discussions that took place and agreed to create fora for further discussions "

Mbuyiselo Ngwenda, the general secretary of Numsa, said the parties had agreed to meet again in two weeks to evaluate the progress of the understanding and to look at some alternatives, including long term strategies

"We raised the need to deliberately craft a long term strategy so that retrenchments do not happen haphazardly," according to Ngwenda

He said at issue was the whole question of job security in a globalising economy, the effect of tariff reduction, the monitoring of imports, the flattening of the managerial hierarchy and the development of a comprehensive industrial policy including the training of workers

In general, Numsa wants at least 200 paid training hours a worker a year during working time. However, Iscor is going ahead with the closure of two plants at the end of this month. As a result, 400 workers will lose their jobs

Dumisa Ntuli, a Numsa spokesman, said more than 114 000 workers had lost their jobs in the engineering sector since 1990 About 1 500 of them had gone during the closure of the Pretoria plant last year

Ntuli slammed Iscor management for refusing to implement a participative management style at its plants "Workers should be involved in the short and long term planning and we are clearly not happy with the slashing of workers "

CT (BR) 21/5/98

Iscor to go head with closure of two Vanderbijlpark plants

BD 29/5/98 (189)

Paul Vecchiatto

THE board of iron and steel producer Iscor decided yesterday to go ahead with the closure of two of its plants at its Vanderbijlpark complex near Pretoria

This is part of a long-term strategy that could result in more than 6 000 job losses at the complex over the next three years if international staffing benchmarks are followed

The two plants to be decommissioned from the middle of next month are the south hotstrip mill and blast furnace B

The closure will result in 403 workers being retrenched

Iscor Steel MD Louis van Niekerk said the closure of the plants would not affect the complex's annual production, which amounted to about 3,6-million tons of flat steel

"Both plants were started in the early 1950s and are technically and commercially unviable In fact their closure will add to the future profitability of Iscor," he said

Iscor management had drawn up a strategic plan, in consultation with the unions (including the National Union of Metalworkers of SA), to re-engineer the group to make it more competitive

He said Iscor's international competitors, particularly those in the US and Britain, had already gone through their re-engineering processes and Iscor had to catch up

"Unless we re-engineer, the SA steel industry will die "

Van Niekerk said SA usually imported about 3% of the steel it needed, but during the first quarter of this year 14% had been imported already

Iscor had to reduce its cost structures substantially, improve the efficiency of its equipment and the productivity of its labour force to remain a global competitor, he said

Iscor and government recently lost an antidumping case in the US

Van Niekerk said Iscor was, in turn, laying antidumping complaints against Russian and South Korean producers with the trade and industry department and the matter was expected to go to court next month — INet-Bridge

Numsa slams Iscor closure

(189)

Sowetan 26/6/98

THE National Union of Metalworkers of South Africa, criticised Iscor yesterday for closing two plants at its Vanderbijlpark complex

Numsa spokesman Osborn Galeni said the union was not consulted about the closure, and the iron and steel producer was run "boere Mafia style"

"The decision to close the two divisions was taken unilaterally by Iscor's white elephant management," said Galeni Numsa did not agree to the closing or to the retrenchment of 6 000 workers

"We are mobilising our members to defend themselves against the onslaught declared by Iscor," he said

Galeni said Numsa met Iscor on May 20 and it was agreed that they put the closure of the two divisions on hold Unless the Government took drastic measures to remove management, he said, the problems at Iscor would escalate

Galeni criticised American-based consultants who recommended the restructuring and retrenchments at the company, Mackinsey Management Consultants, alleging that they did not understand the South African situation

He said the American company recommended the same thing to the South African Broadcasting Corporation

Iscor spokeswoman Mitzi Schutte said she did not understand Numsa's problem since the union had been involved in all decisions that the company was taking and was aware that the two divisions would be closed – *Sapa*

Iscor workers on go slow over closures

SO 26/5/98 (189)

Pearl Sebolao

NATIONAL Union of Metalworkers of SA (Numsa) members at Iscor's Vanderbijlpark complex yesterday went on a go slow in response to management's plans to shut down two of its divisions which would lead to the retrenchment of about 6 000 workers, the union said

Numsa spokesman Osborn Galeni said the union was not consulted about the closure of the two divisions He said Numsa and Iscor had earlier agreed to put a moratorium on the closure

They had also agreed to hold a company job summit jointly to prevent massive job losses

"We heard about the company's intention to go ahead with closures only through media reports," Galeni said.

The restructuring process at the Vanderbijlpark complex is expected to be phased in from the middle of next month, culminating in about 6 000 job losses by 2 000

Iscor management confirmed that the company had agreed to a transformation summit, but denied that a moratorium had been placed on the closure of the two divisions

Haggie under EU antidumping duties threat

(789) BD 26/5/98

David McKay

SA ENGINEERING group Haggie was facing the possibility of antidumping duties on steel wire rope exports into Europe, the group's MD Chris Murray said yesterday

Haggie exports about 4 000 tons of steel wire rope into Europe every month, volumes which comprise less than 3% of the European market and are therefore under the threshold required to charge an exporter with dumping

However, the European Union (EU) had grouped SA with rival exporters from China, the Ukraine, South Korea and India which collectively comprised 12% of the European market, Murray said

Dumping refers to an exporter selling a product at below the average domestic price of that country

A report last week said that the EU's executive body opened an investigation after receiving a complaint from the liaison committee of EU Wire Rope Industries on behalf of the European steel cable producers

The complaint alleged that imports of steel stranded ropes and cables from China, India, South Korea, SA and the Ukraine had increased significantly in absolute terms and in terms of market share

The parties involved have about 40 days to submit further information

Murray said Haggie had a local distributor in Europe which ensured that prices for its steel rope, classed a core business for the group, were controlled "Our prices have not been far adrift the going rate," he said

Rice Rinaldi's George Grohmann said filing for the imposition of antidumping duties was occasionally used as a tactic to protect local producers

While possible antidumping duties were pending, exporters tended to tread carefully in their export markets, he said

Murray said steel wire exports to Europe was an important market for the group and antidumping duties could certainly hurt Haggie's business

The engineering group recently staged a turnaround in its financial performance, posting a 42% jump in headline earnings to 283c a share for the year to December

Meanwhile, the SA Steel and Iron Institute confirmed it had lodged antidumping measures against Ukranian imports of steel products into SA

Wage negotiations in major sectors end in disputes

BD 26/5/98 (189) (4)

Reneé Grawitzky

WAGE negotiations in some of the major sectors of the economy have ended with disputes being declared at relatively early stages in the negotiation process.

Disputes exist in metal and engineering, motor, petroleum, glass, industrial chemicals, pharmaceuticals and the fast-moving consumable goods sectors

In general, disputes have been declared with employer offers ranging between 4,75% and 6,5% and union demands fluctuating between 13,5% and 15%

Industrial relations analysts warned that parties were not exhausting internal remedies before referring wage disputes to the Commission for Conciliation Mediation and Arbitration.

The commission said it was being used as a springboard to determine the parties' different positions and should be used as a measure of last resort once internal procedures were exhausted

Andrew Levy & Associates consultant Brian Allen said it was extremely difficult to expect labour negotiators to consider settlements in the region of 5% when average settlements last year were more than 9%

"There is almost a convention in SA labour relations that what parties settled on last year becomes the benchmark for this year Settlements have been dropping slowly in recent years but to expect a quantum leap downwards is optimistic and will be difficult for union negotiators to sell to members," Allen said

Wage negotiations in the vehicle manufacturing sector are progressing, with parties investigating options based on a wage model Negotiations in the motor and metal sectors have, however, ended in dispute between employers and unions, including the National Union of Metalworkers of SA

The parties involved in the dispute in the metal industry meet today, in terms of the industry's bargaining council dispute resolution procedure, to determine which dispute settlement option should be followed Parties could either consider reverting back to negotiations, going to conciliation, arbitration or advising the council's general secretary that the dispute remained unresolved.

The Chemical Workers Industrial Union indicated yesterday that disputes existed in five of the seven sectors in which negotiations were taking place

Numsa outraged by Iscor job loss plans

ET (MOR) 26/5/98 (189)

Frank Nxumalo
Labour Editor

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) yesterday called on the government, as Iscor's majority shareholder through the Industrial Development Corporation, to remove immediately the entire management for implicating the union in a strategic re-engineering plan that will see the company shedding 6 000 jobs over the next two to three years

Numsa also threatened massive industrial action before the end of this week against the closure of two plants in Vanderbijlpark at the end of this month, with the loss of 400 jobs

Iscor management emphatically denied Numsa's allegations

"All representative parties were fully informed of the closure of the 1 420mm Hot Strip Mill South and Blast Furnace B at Iscor's Vanderbijlpark Works through a process of consultation

"The transformation process at the (Vanderbijl) Works has the full participation of a steering team on which the unions have had representation since its inception

"The transformation follows a benchmarking exercise during which Iscor and union representatives visited top comparative integrated international companies in Iscor's drive to become globally competitive," said Louis van Niekerk, Iscor managing director

Numsa said Iscor had bypassed all communication structures that deal with issues of the relationship between management and the unions

"That Numsa had been consulted in drawing up a strategic plan for re-engineering of the company is a total fabrication of the truth No consultation took place on the closure of two divisions at Vanderbijlpark plant The decision to close the two divisions was taken unilaterally by Iscor white elephant management "

Numsa's national Light Engineering sector co-ordinator, Osborn Galeni, said a "company job summit" had been agreed upon last week to develop an alternative to the restructuring

Hearings disclose Dorbyl's 'racist past'

(189) BD 28/5/98

Mzwandile Jacks

INDUSTRIAL holding company Dorbyl has released a report by independent commissioners appointed to conduct internal truth commission-style hearings and expose the group's past to public and employee scrutiny.

The report identified past racism as a factor which continued to have a negative effect on staff morale. It also showed a lack of trust of management — some branches did not make submissions, which the commission attributed to a fear of victimisation.

Many of the complaints heard by the commission related to alleged unfair labour practices, such as training opportunities being reserved for whites, a lack of job descriptions and adverse working conditions. The commissioners said they were unable to put forward a comprehensive view of management as few made submissions Most who did were black and their submissions indicated "a strong perception of racism . and doubt about their future in the organisation"

Dorbyl CE Bill Cooper, who joined the company in 1994, said the process of conducting hearings showed aspects of the group's past of which present senior management was unaware.

"We also learnt that practices of the past were still rampant in some Dorbyl operations," Cooper said.

Dorbyl appointed eight commissioners two years ago to help the group "leave behind issues of the past".

As a result, the group is in the process of establishing a body that will debate and develop new corporate policy

The convenor of Dorbyl's transformation process, Ketan Lakhani, said he found most employees open to change. "We convinced people that the commission was not a witchhunt but an effort to make the company more productive," he said.

Dorbyl's move was lauded by the truth commission and the National Union of Metalworkers of SA, which said it welcomed any initiative to redress imbalances of the past as long as they were done in "good faith".

Business and politics: Page 19

New body will oversee workers' training

BD 29/5/98 (189) ([illegible])

Mzwandile Jacks

EMPLOYERS in the metal industry have entered into an agreement with trade unions to establish a new training board to oversee the training of workers, Steel and Engineering Federation of SA CE Brian Angus said yesterday

The development of training for all workers would improve labour productivity in the medium to long term The manufacturing sector has in the past three years experienced substantial job losses, from 385 000 hourly paid workers in 1990 to 285 000 in 1996

"The current workforce in the metal industries still stands at around 285 000 hourly paid workers and, even with sustainable growth, the prospects for any major increase in the number of workers in the industry are relatively small However, there is plenty of room of improvement in skills level," Angus said

If the steel and engineering industries were able to improve on their international competitiveness, the potential available in export markets would be better

Free trade agreements would mean SA access to tendering on European Development Fund projects in African, Pacific and Caribbean countries

SA's manufacturing industries, especially the metal industries, were seen to be offering the most export potential to both existing markets and new markets

Upgraded rail links to boost exports drive at Iscor

(189)

About R1-billion will be spent on upgrading rail links to facilitate more iron exports, writes DON ROBERTSON

ST (BT) 31/5/98

THE carrying capacity of the rail link between the Sishen iron ore deposit and the Saldanha export port will be increased by almost 75% in the next 10 years at a cost of about R1-billion.

The first phase, announced by Orex, the Spoornet business unit dedicated to the transport of iron ore, will be capital expenditure of R170-million This will increase capacity from the current 22-million tons a year to 27-million tons in the next three years.

Capacity will then be increased gradually, on a yearly basis, to reach 38-million tons by 2010. To achieve this, the carrying capacity of wagons will be increased, more loops or passing points introduced, trains will be longer (with greater frequency) and more motive power will be added.

Iscor is confident it will be able to increase its exports by about 8-million tons and will spend R550-million to increase production at the mine, while Portnet will also be required to upgrade equipment, including tipplers once the 27-million ton figure has been reached

Khutso Mampeule, executive manager at Orex, says Spoornet management has granted permission to embark on the expansion programme to 38-million tons. "It is a great vote of confidence for Orex, Iscor, Assmang and Portnet"

The line, which at 933km is the longest bulk haul railway in the world, currently moves about 18-million tons of export iron ore for Iscor and 4.2-million tons for Associated Manganese.

Assmang will spend R125-million to expand its nearby Beeshoek mine, leading to further demands on the line

In the current financial year, this will be increased by 1.8-million tons. The additional ore will be used at Iscor's R7-billion Saldanha Steel plant, which will be commissioned this week.

When at full capacity, Iscor will have access to 26-million tons, Assmang 10-million and Saldanha Steel 1.8-million tons

ON THE FAST TRACK ... the carrying capacity of the Sishen line will be increased by 75% over the next 10 years

Mampeule explains that achieving the leap to 38-million tons will involve repairing and upgrading wagons to carry 100 tons from the current 85 tons.

An order has already been placed with Transwerk for 60 of these wagons, which will be in operation in January

The line currently has nine loops Another is being upgraded Eventually 20 will be operational. In addition, the trains will be extended to 216 wagons from 200.

To make this possible, it will be necessary to add a diesel locomotive to the three electric locomotives now used, which the train driver can engage when facing steep hills.

The rise in the number of loops means frequencies can be increased from the current 27 a week to 32 and then 35 a week.

Efficiencies have also been achieved with turnaround time falling from a total of 65 hours to 56 hours

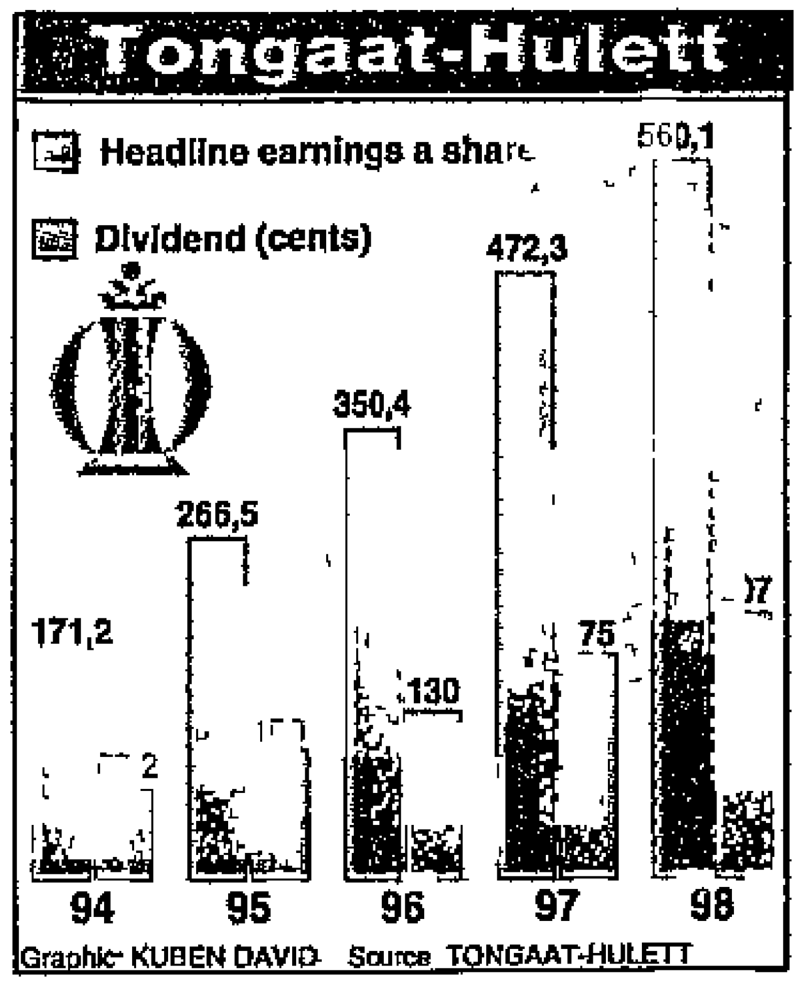
In addition, a rail replacement programme will be introduced in 2008 to ensure operational efficiency. This could cost between R400-million and R800-million.

Iscor is the world's largest exporter of lumpy iron ore. It has 57% of the market. Present world prices are about $22 a ton for lumpy, while fine ore, which Iscor also exports, fetches about $14 a ton. Iron ore reserves in the northern Cape are estimated at 3-billion tons Last year, Iscor's iron ore exports earned R1 29-billion in foreign exchange.

The Orex line has many other proud achievements It is listed in the Guinness Book of Records as having the longest train — 7.3km, the largest number of wagons on a train, the longest non-stop heavy haul run and the highest speed over the route.

Tongaat-Hulett grows capacity for export drive

(189) BD 2/6/98



Nicola Jenvey

DURBAN — The Tongaat-Hulett group is investing R2,4bn in the Maritzburg-based aluminium mill to triple capacity, and R600m in the Kliprivier starch and glucose plant to increase capacity by 50%, MD Cedric Savage said yesterday

He said the capacity expansions at the aluminium rolling mill and the starch and glucose plant provided a solid platform for future earnings growth based on exports

Releasing the results in the year to March, Savage said most of the new capacity would be exported, providing sound growth prospects. He believed SA needed low interest rates to boost capital investments, especially among medium-sized companies

Total net earnings rose 8% to R589,3m as the drive towards cost leadership and maximum asset use was rewarded.

Headline earnings rose to 560,1c (1997: 472,3c) and a 145c (123c) final dividend was declared, bringing the total to 207c (175c). A scrip option has been offered

Savage said most divisions maintained an upward momentum and good progress was made with quality and capacity improvements in the manufacturing operations Significant resources have been mobilised to develop domestic and export markets and the diversified food group now has business activities in 60 countries

Savage said the mainstay sugar division raised profits 13,5% to R164,9m despite the 3,6% production drop to 869 101 tons

Regional influence was increased with the acquisition of an effective 39% of Mozambique-based Xinavane mill and estates. Since March, the division has bought Tambankulu estate in Swaziland, which produces 10% of the country's annual cane output

The demand for bricks was affected by government spending cuts and sustained high real interest rates, but the building materials division raised its contribution to group earnings by 17,8% through cost savings from rationalisations in the previous year.

Hulett Aluminium achieved record sales of rolled and extruded aluminium products and raised its group profit contribution by 10%. The expansion project remained in budget and was on schedule for completion next year

The textile arm experienced margin pressures because of the more competition from imports and a weaker demand in certain export markets. This has prompted a decision to rationalise output and improve operational performance The starch and glucose division marginally increased profits in a difficult local market Export sales increased 18% and capacity utilisation was high at the three established mills

Improved commercial property sales raised contribution by the property division to 16,2%

"The group remains optimistic about the future Each division has adopted clearly-focused business strategies and real growth should be achieved in the current year," Savage said

Saldanha Steel will be ready to roll on time

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

CT(BR) 19/6/98 (189)

Cape Town — Some rolling and furnace operations had started at the R1,7 billion Saldanha Steel plant, and the project was on schedule to be fully commissioned by the end of the year, Bernard Smith, the executive chairman, said yesterday

Speaking at a function at which contracts, worth about R20 million were signed with eight local businesses, he said several "dress rehearsals" had been held in various sections of the steel-making plant over the last few weeks

"With the project 95 percent complete and 25 million man-hours worked, hot commissioning of the steel making and rolling facilities is progressing according to plan, and the focus is now on the integration of the production facilities," Smith said

The steel making and water treatment and cooling plants had been commissioned and were in operation Some of the raw materials handling sections had been completed while the commissioning of the sections of the Corex plant had started

The contracts signed yesterday brought to R80 million the total value of contracts for services ranging from cleaning to air and courier services and stationery supplies

Smith said that Saldanha wanted to concentrate on its core business of producing good-quality hot-rolled coil steel

In this way, Saldanha aimed to create at least 20 000 jobs linked to the project in the next decade

Numsa ready to do battle with Seifsa

CT(BR) 16/6/98 (189)

Frank Nxumalo
Labour Editor

Johannesburg — The 250 000-strong National Union of Metalworkers of South Africa (Numsa) was preparing its members for a major industrial confrontation this month after a breakdown in wage talks in the metal sector, Numsa said yesterday

The talks with the Steel and Engineering Industry Federation of South Africa (Seifsa) collapsed when Numsa and other industry unions rejected employers' final wage offers of 6 percent and 5 percent for bottom and artisan grades respectively

"We said it was going to be tough and it is We are preparing for a major industrial action which will take place later this month," said Elias Monage, Numsa's engineering sector co-ordinator.

Seifsa confirmed that disruptions were looming in the industry "There may be disruptions as, effectively, that was the final offer and there are no plans for further meetings at this stage," said David Carson, the human resources director at Seifsa

Monage said the unions were demanding a guaranteed increase linked to the inflation rate plus a premium of 9 percent for lower categories and 7 percent for artisan grades They also demanded that the inflation link and the premium be a permanent feature of annual negotiations

He said this was not new because between 1939 and 1941 unions, though mostly white, had demanded and won what was known as the Cost of Living Allowance

Monage suggested that the way forward was to restructure the current format of Seifsa representation

‘Capacity creep’ the answer for aluminium industry

Capacity improvement within existing smelters will enable the aluminium industry to meet nearly one-third of the extra demand for its metal up to 2015, writes **Ken Gooding**

(189)

18/6/98

MEDIUM-term forecasts of Alcan Aluminium, the Canadian company, indicate the world will need another 11,7-million tons of annual primary aluminium production capacity to meet demand by 2015, a 61% increase on the 19-million tons sold last year

However Alcan president Jacques Bougie said 3,4-million tons of the extra metal could come from “capacity creep”, the process of improvement within existing smelters

“Our calculations indicate that output from the industry’s existing assets is growing at a rate of between 0,5% and 0,75% a year as a result of capacity creep Put another way, about 30% of the projected increase in world demand over the next 17 years will be satisfied simply by optimising the operation of existing industry assets,” Bougie said

Bougie said the industry should be careful to account for capacity creep when planning expansions and new smelters Alcan expects 5,7-million tons of additional annual capacity to be provided by new smelters in the next 17 years and a further 2,6-million from expansion projects

Bougie pointed out that output from capacity creep was by far the cheapest form of extra production and also the quickest to bring on stream “It follows that anybody thinking logically about adding capacity is first going to consider what they can squeeze out of their existing infrastructure ”

The industry needed lower-cost capacity because the price of aluminium in real terms had steadily fallen and while cost cuts had been made, profit margins had been eroded. Margins fell from the equivalent of $2 600 a ton in 1926 to $570 a ton in the 1970s and about $250 a ton in the 1990s

“Perhaps the ultimate challenge for the aluminium industry is actually to make money on a consistent basis,” Bougie said

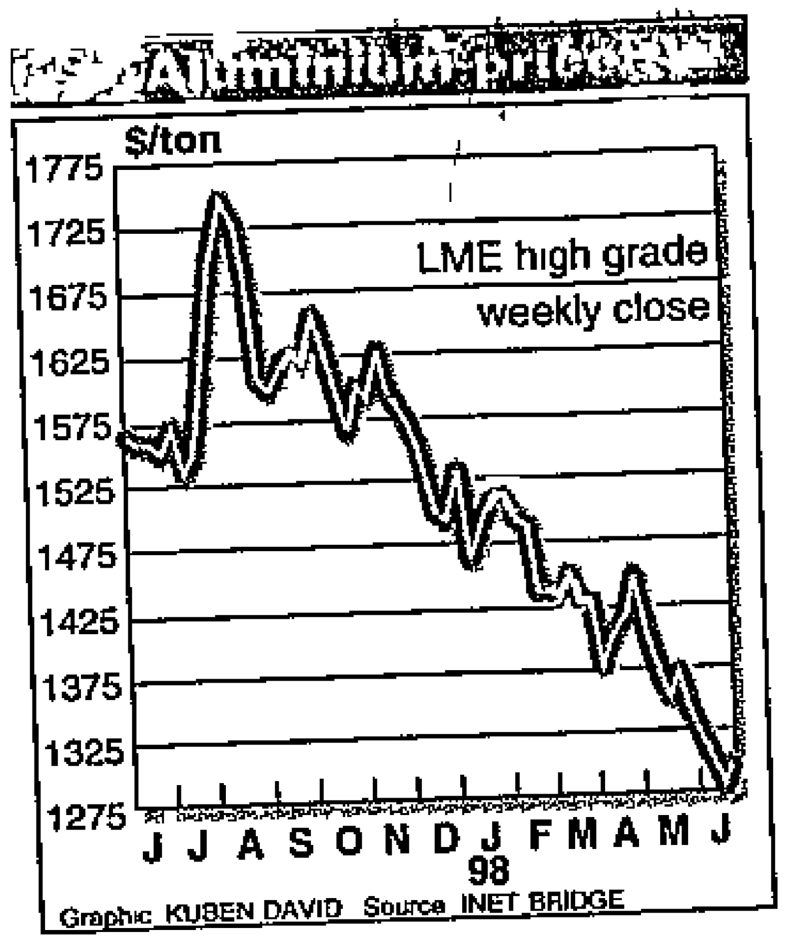
Hydro Aluminium Extrusion president Ivar Hafsett said one disadvantage was the industry’s fragmented structure compared with other basic materials industries, such as steel and petrochemicals

Competition between materials, such as aluminium and steel for automotive customers, would be a driving force for the aluminium industry to pool resources, he said

Keith Mitchell, the director of PCI (PET Packaging, Resin & Recycling) said growth in demand for PET (polyethylene terephthalate) bottles for fizzy drinks was rising rapidly and was expected to reach 4,2-million tons this year, compared with 2-million tons in 1993

There was 2-million tons of capacity for PET and the industry was looking to absorb it by tackling the beer market Mitchell suggested it would make inroads into glass bottles at first, followed by cans from 2010

Meanwhile, China, the second largest user of aluminium after the US, is likely to switch from its traditional role as a substantial aluminium importer to become a major exporter — Financial Times.



Steel industry unions to strike

(189) CT(BR) 29/6/98

Frank Nxumalo

Labour Editor

Johannesburg — More than 300 000 workers allied to the National Union of Metalworkers of South Africa (Numsa), Chemical Workers' Industrial Union (CWIU) and other steel industry unions are expected to take to the streets this morning in a nationwide strike aimed at the Steel and Engineering Industry Federation of South Africa (Seifsa). This follows a bargaining council impasse two weeks ago.

The strike could turn ugly because Seifsa has voted in favour of locking out the striking workers.

"In view of the possible industrial action being implemented by Numsa and the CWIU's membership in the industry, Seifsa members have voted in favour of employer lock-out. This empowers employers to lock-out Numsa or CWIU members," Seifsa said.

Seifsa urged its members not to grant any wage increases pending a bargaining council settlement. It said employers would not backdate increases to July 1 if agreement had not been reached by that date.

The parties reached deadlock when Seifsa tabled a final offer of 6 percent for lower-grade workers and 5 percent for artisan grade

Metalworkers on the march

(189)

Pearl Sebolao BD 30/6/98

THOUSANDS of National Union of Metalworkers of SA (Numsa) members yesterday marched to the offices of the Steel and Engineering Industries Federation of SA (Seifsa) in Johannesburg as part of a national campaign to demand "guaranteed inflation-rate wage increases"

Numsa spokesman Dumisa Ntuli said the marches, which also took place in Cape Town, Durban, Kimberley and the Eastern Cape, were to show employers they were serious about their demands and that they could not accept "a miserable wage offer".

Ntuli said the union was prepared to embark on another march if Seifsa remained unsympathetic to its demands The union, together with the Chemical Workers' Industrial Union, declared a dispute with the employer organisation after reaching deadlock in negotiations last month

Responding to a lock out threatened by the employers if the unions embark on a strike, Ntuli said this would not dissuade workers from their intentions

Prior to the breakdown, Seifsa was offering a wage increase of 5% to 6% for artisans and labourers respectively The unions rejected the offer

At subsequent meetings, employers tabled an unmandated offer of between 5,5% for artisans scaled upwards to 7% for labourers This was later withdrawn after the unions rejected it, industrial relations director Dave Carsons said

Numsa is demanding 7% for artisans and 9% for the bottom grades as well as a sick pay fund which covers all employees It is also calling for the industry benefit fund to be controlled by workers Seifsa has been given seven days to respond to the demands

Leather, footwear unions ballot members for possible strike

ET (BR) 30/6/98 (189)

RAVIN MAHARAJ

Durban — The National Union of Leatherworkers and the South African Clothing and Textile Workers' Union (Sactwu) were balloting their members for a possible strike, union officials said yesterday

Glen Goldstone, Sactwu's regional leather industry co-ordinator, said the unions were asking for a 12 percent wage rise across the board, but the employer was offering 7,5 percent

Employees also wanted a better deal on the provident fund and tax incentives

South Africa's ailing footwear and leather industry employs thousands, but restructuring in the face of cheaper imports from the East, illegal imports and the recent closure of several footwear factories have resulted in severe employment shrinkages

Industry leaders also warned that trade liberalisation between the European Union (EU) and South Africa could result in a flood of imports from the EU

Last year the South African government placed a ceiling on imports from countries that did not belong to the World Trade Organisation to help local manufacturers, but no long-term effects have been felt

Dennis Linde, the director of the South African Footwear and Leather Industries Association (Saflia), which represents footwear manufacturers throughout South Africa, declined to comment about the wage negotiations, saying they were at a sensitive stage

Goldstone said negotiations this year were not just about wage increases, but also about the provident fund and tax incentives

The employer was offering a package including provident fund wages, but workers had indicated that the offer was insufficient and they were prepared to strike, Goldstone said

He said the trade unions would set up a meeting with Saflia later this week to discuss the latest events in the negotiating process

ENGINEERING *Union protests against final wage offers*

Metalworker action heats up

CT (PR) 30/6/98 (189)

FRANK NXUMALO
LABOUR EDITOR

UNITED *Numsa members marched through central Johannesburg yesterday and delivered a memorandum to Seifsa* PHOTO: JOHN WOODROOF

Johannesburg — More than 40 000 National Union of Metalworkers of South Africa (Numsa) workers marched on the offices of the Steel and Engineering Industry Federation of South Africa (Seifsa) in Johannesburg yesterday to protest at the employers' final wage rise offer of 6 percent for lower grades and 5 percent for artisan grades

The union said more than 125 000 workers took part in marches nationwide

Elias Monage, Numsa engineering sector co-ordinator, handed Seifsa a memorandum of demands. These included that "all industry workers... be granted inflation increases on actuals, those on the bottom grades should also get a 9 percent increase while artisans get a 7 percent increase of the inflation rate"

Numsa also wants total control of benefit funds, estimated at R21 billion, the sick pay fund to cover all workers, and a 21-day notice period for retrenchment consultations, among other demands

Monage accused Seifsa of being unsympathetic and intransigent.

Brian Angus, the Seifsa executive director, said "I do not regard the march as peculiarly important, as it has become an annual event at least for the past five to six years "

Seifsa would not respond formally to the Numsa memorandum as "we know what their demands are"

Numsa declares wage dispute

CT (BR) 1/7/98 (189)

Roy Cokayne

Pretoria — The National Union of Metalworkers of South Africa (Numsa) had no option but to declare a dispute with the Automobile Manufacturers Employers' Association (Ameo), Tony Kgobe, the auto and tyre sector co-ordinator for Numsa, said yesterday

The three-year wage agreement between Numsa and Ameo expired at midnight last night Numsa and Ameo have been involved in negotiations for more than a month in an attempt to conclude a new agreement

Kgobe said Numsa would inform Ameo today that it was declaring a dispute

He said Ameo had offered wage increases of 6,5 percent and Numsa had lowered its demand to 9,5 percent

But Kgobe said there were also a number of other items on which agreement had not been reached

Kgobe said motor industry employees received 15 days' annual leave a year and Numsa wanted 20 days' annual leave phased in over a three-year period

He said Numsa also believed there was a training and education backlog and wanted education and training to take place during normal working hours In terms of the previous industry agreement, no single motor industry worker would, by the year 2000, have less than a Standard 7 education

However, Kgobe said there was still a high rate of illiteracy and innumeracy among motor industry workers, which was one of the factors responsible for workers not reaching the required educational level

Kgobe added that agreement had been reached in the previous three-year agreement that other benefits would not be negotiated for three years

Agreement to not negotiate other service benefits was reached on the basis that education and training programmes would be implemented during this three year period, he said

Kgobe said Numsa wanted the education and training levels agreed on in the past to be achieved

Metal workers threaten to start national strike

Renee Grawitzky BD 3/7/98 (189)

DURBAN — Wage negotiations in the metal industry had reached a sensitive stage, with the National Union of Metalworkers of SA (Numsa) threatening a national strike, union negotiator Elias Monage said yesterday Monage said the strike could start next week, with action beginning in KwaZulu-Natal

A meeting would be held at the weekend to decide on the course of action, he said

The Steel and Engineering Industries Federation of SA (Seifsa) indicated that informal discussions had been held with Numsa and that some progress had been made.

However, only unmandated positions had been explored during these informal meetings

Officially, the employers are still offering increases between 5% and 6%, while Numsa is demanding increases ranging between 12% and 14%

Monage said it was difficult to say whether the informal discussions would deliver results

Meanwhile, wage negotiations between Numsa and the main vehicle manufacturers could be headed for a dispute The parties have been locked in negotiations in recent weeks in an attempt to work out another three-year agreement.

Employers have offered a 6,5% increase while Numsa is demanding 9,5% The union's opening demand was 10%

Other core issues relate to training and the union's demand for 20 days annual leave

Numsa threatens bosses with nationwide strike

CP 5/7/98 (189)

By ZOLILE NQAYI

THE widening gulf between employers and workers in the steel and engineering industries is set to result in a full-blown strike

The National Union of Metalworkers of South Africa (Numsa) announced yesteday that its members would undertake strike action in Durban during the course of this week

"After that we will be taking the strike to the Eastern Cape, followed by the Western Cape and then Johannesburg If there have been no tangible developments, we will have no choice but to embark on a full-blown national strike the following week," Numsa's Elias Monage, organiser of the engineering sector told City Press

The latest action follows last week's one-day strike by an estimated 35 000 Numsa members in Gauteng, after talks with the employers failed to resolve the wage dispute

The Steel and Engineering Federation of South Africa (Seifsa), which represents employers, dismissed the Numsa strike as an "annual event" and its members voted to lock-out the striking workers

Although there are several other issues contested, the dispute revolves mainly around the issue of wage increases Seifsa has offered a 5 percent increase for lower category workers and 6 percent for artisans

Numsa, on the other hand, has demanded a 9 percent increase for the lower category and 7 percent for artisans

Numsa has argued that employers are not committed to reducing the wage gap between those whose wages benefitted from apartheid policies and the victims of such policies

According to Numsa's Monage, despite continuing bilateral talks no significant progress has been made

"We have notified the employers that we will be taking them head-on in Natal for about two days, "said Monage

According to Dave Carson of Seifsa's Industrial Communications, the two parties held discussions during the last few days to end the dispute

Pay deal averts post office strike, while metalworkers accept offer

CWP 8(189)

BD 9/7/98

Pearl Sebolao and Reneé Grawitzky

A PAY deal averted strike action in the strategic communications sector yesterday, while metalworkers have accepted an employer offer giving them above-inflation increases of 8% on actual rates

The three-day national strike by Telkom and post office employees scheduled to start yesterday was suspended after agreement was reached with the Communication Workers' Union (CWU) and three other unions

Sapa reports news of the settlement was late in reaching all the workers, and at least 160 post offices were closed nationwide Demonstrations by thousands of workers in Pretoria went ahead as planned

Telkom spokesman Amanda Singleton said management and the CWU had agreed on the "repackaging of items in the company's final offer", but would not disclose details

The parties were expected to conclude the agreement late last night

The agreement struck between the post office and the unions provides for an 11% increase for employees on the lower levels, 9% for the higher levels and a minimum wage of R2 115 a month A further increase of 1% would be added on October 1

The final settlement offer drafted in meetings between the National Union of Metalworkers of SA (Numsa) and the Steel and Engineering Industries' Federation of SA (Seifsa) will give lowest-paid workers R8,83 an hour, while artisans will earn R18,57 an hour

Numsa negotiator Elias Monage said the agreement would ensure that the planned countrywide strike would not take place

A crucial aspect of the agreement, he said, was employers' agreement to discuss industrial policy This would be achieved through the establishment of an industry policy forum, which would hold talks with government

Seifsa negotiator Brian Angus said the settlement was slightly higher than employers would have liked but was reasonable in current conditions

A breakthrough for employers was an agreement to review existing collective bargaining processes, he said

Strikes by SA Clothing and Textile Workers' Union members continue in the footwear and fabric knitting sectors The union said it intended calling on its 42 000 members in the clothing industry to launch a secondary strike within the next seven days contemplated in the Labour Relations Act The action would be directed at employers in the Western Cape and KwaZulu-Natal

Numsa takes row with Iscor abroad

ET(PTR) 16/7/98 (189)

ROY COKAYNE

Pretoria — The National Union of Metalworkers of South Africa (Numsa) had internationalised its protest against plans by Iscor, the steel producer, to axe 6 000 jobs at its Vanderbijlpark Works between now and 2000, Osborn Galeni, Numsa's national Iscor co-ordinator, said yesterday.

"Numsa's international officer has written to the International Metal Federation to tell them of our concerns and what is happening between Iscor and us, the way Iscor is dealing with the restructuring and how there is no clear co-operation between Iscor and us," Galeni said.

Dumisa Ntuli, a Numsa spokesman, said the staff cutbacks would add to the woes of the metal industry and have a deep social effect on the region.

Ntuli said all communication structures with Numsa were deliberately avoided by Iscor management in the planned retrenchment programme.

Referring to the case of the first 400 workers who were retrenched last month from the closed Hot Mill Strip South and Blast Furnace B plants, Geleni said the retrenchments were supposed to start gradually.

"This was not discussed thoroughly to our satisfaction. Iscor has closed the Hot Mill Strip South and Blast Furnace B, and the workers are sitting in an opportunity centre. Everything is dormant now between Iscor and the union," Geleni said.

He said Iscor had created confusion by agreeing with what its members were protesting against, including that the restructuring need not cost jobs.

Geleni added that Iscor had responded to Numsa's proposed sectoral job summit by proposing a workshop to be held on July 22.

The sectoral job summit would examine how the industry was being run, how the industry had performed and how Iscor and Numsa could intervene to serve the industry if there was a possibility of it shrinking.

Iscor spokesmen were unavailable for comment.

Union trusts settlement of wages is near

(189)

THE Steel, Engineering Industries Federation of SA said yesterday it believed wage negotiations in the metal and engineering industry were closer to a final settlement

Sowetan 17/7/98

This was in the wake of three unions – the National Union of Metalworkers of SA, the Steel, Engineering and Allied Workers' Union of SA and the Radio, Television, Electronics and Allied Workers' Union – accepting a proposed final settlement agreement in the wage negotiations in Johannesburg

"This brings the annual wage negotiations between employers and trade unions in the metal and engineering industry closer to a conclusion," Seifsa said

The other nine unions represented in the negotiations had undertaken to respond to the settlement agreement next week. Seifsa said this year's settlement packages included a wage increase for skilled and labour employees Skilled employees, who are rated A would receive a 6,5 percent while labourers would get eight percent

Wage increases would be backdated to July 1

Subsistence allowances for site workers would increase by six and 10 percent respectively

"Over and above the current minimum of one week's pay per year of service, the calculation of severance pay to retrenched workers has been improved to include applicable allowances," it said

Seifsa said an industry policy forum, comprising an equal number of senior employer and trade union representatives would be established to formulate policy proposals

● The Metal and Electrical Workers' Union of SA (Mewusa) yesterday accused Seifsa of disregarding the union's wage demands

The union said 14 proposals on issues ranging from a living wage, improvement of social benefits and measures to avoid retrenchments had been submitted to the employers for consideration, but Seifsa had ignored them – *Sapa*

Wage negotiations yield positive result

(189)

GRAHAMSTOWN — Weekend meetings between the National Union of Metalworkers of SA (Numsa) and the Automobile Manufacturers Employers' Organisation (Ameo) have yielded positive results

Numsa auto and tyre national sector co-ordinator, Tony Kgobe, said the two parties discussed wages, the issue of overtime and the controversial no-further-claim clause which prohibits two-tier bargaining The union feared that if workers were forced to work overtime, they would produce enough to make them redundant and retrenchments would follow

Kgobe said Ameo had tabled an offer of 7% across-the-board and Numsa had proposed settlement, which sources said now stood at 8%. Numsa originally demanded 9,5% for levels one to four and 8% for artisans Ameo chairman Brian Smith said the parties had moved a lot closer since last week.

The employer organisation last week obtained a Labour Court interdict preventing workers from banning overtime — ECN.

BD 21/7/98

Numsa slams Iscor closure plan

(189) CT (PM) 23/7/98

ROY COKAYNE

Pretoria — Iscor, the steel producer, is considering total closure of its ironmaking facility at its Pretoria works, which employs 400 workers, an Iscor spokesman confirmed yesterday

However, the spokesman said a final decision had not yet been taken Iscor's management was scheduled to start consultations with the National Union of Metalworkers of South Africa (Numsa) on Friday on possible alternatives to the closure

Osborn Galeni, Numsa's national Iscor co-ordinator, said yesterday that what was happening in Pretoria was a small part of what was happening throughout Iscor countrywide

Iscor is planning to axe 6 000 jobs at its Vanderbijlpark works between now and 2000

Mbuyiselo Ngwenda, the general secretary of Numsa, said yesterday that Numsa had appealed to the government and President Nelson Mandela to immediately intervene to save 6 000 jobs due to be axed at Iscor's Vanderbijlpark works He said the intervention of the president would be important because of the call for a "jobs summit" to look at job creation mechanisms

Numsa has also asked international metal unions to take action against the steel company because of the job losses

He said Numsa had suspended all meetings with Iscor management because it had been "intransigent and failed to disclose information on strategic plans over the axing of the 6 000 workers"

Numsa declares wage negotiations deadlocked

ET (VMR) 24/7/98 (189)

Roy Cokayne

Pretoria — The National Union of Metalworkers of South Africa (Numsa) had declared a deadlock with vehicle industry employers in its negotiations for a three-year agreement, Tony Kgobe, the auto and tyre sector coordinator for Numsa, said yesterday

However, Kgobe said Numsa had not yet taken any position on industrial action as a result of the deadlock

Brian Smith, the chairman of Automotive Manufacturers Employer's Organisation (Ameo), said the Numsa move had come as a big surprise as Ameo had tabled a revised across-the-board wage offer of 8 percent, effective from July, for skills-level production workers and 7,5 percent for artisans, which was in line with the Numsa settlement demand tabled last week

"Ameo is deeply disappointed by Numsa's attitude as we believed we had tabled a final package offer which would settle this issue," he said

Smith said in the light of the economic conditions facing the vehicle industry and the importance of labour stability for the country's credibility, Ameo had gone to Wednesday's dispute meeting with the objective of achieving a settlement, but "Numsa appears to have now moved the goal posts"

He said strikes in the vehicle industry would further strengthen international perceptions that South Africa had an inflexible and unstable labour market and could not be relied on as an export partner

The deadlock was declared on Wednesday night after two days of meetings between the Commission for Conciliation, Mediation and Arbitration (CCMA), Ameo and Numsa

The dispute between Numsa and Ameo arose in National Bargaining Forum negotiations for a new three-year agreement covering more than 20 000 hourly paid employees at the seven major local motor manufacturing plants

Kgobe said the CCMA proceedings had come to an end but Numsa would be consolidating its action in coming weeks to decide if it could make any other improvements

"We will be going back to members and will have a national shop steward council meeting in Johannesburg next week to decide on the way forward," he said

"We will also await the CCMA to issue a certificate of deadlock before we take any specific action In terms of the Labour Relations Act, we have to give employers 48 hours notice of any industrial action after receiving the CCMA certificate of deadlock "

Kgobe said an 8 percent across-the-board increase for this year was agreed on, but deadlock set in over across-the-board increases for the second and third year of the agreement

Union appeals for Mandela's intervention

(189)

By ZOLILE NQAYI

CP 26/7/98

THE National Union of Metalworkers of SA (Numsa) has appealed to President Nelson Mandela to intervene in the metal industry

Numsa has also called on Iscor to suspend all retrenchments until the impending presidential job summit has been concluded

Numsa appeal comes in the wake of a threat of loss of 6 000 jobs at the parastatal Iscor According to Numsa the closure of two Vanderbijlpark plants will affect 6 000 workers

Numsa protests that there were no consultations when the decision to close the plants was reached

"Numsa is to suspend all meetings with management because they have been uncompromising and failed to disclose information on their plans to axe workers," said Numsa's Dumisa Ntuli

The metal industry has already shed 114 000 positions since the beginning of 1992

Ntuli said a meeting with management at this point would not be of any significance as they had already made a decision to close the plants

The union has proposed that Iscor suspend its restructuring programme for two to three months

The union says it intends to conduct its own studies on management to avail financial and operational information and its business plan to its financial advisors

According to Iscor the closure of the two plants affected about 400 workers of whom two-thirds had already secured employment

Iscor has also dismissed the charge by Numsa that 6 000 workers were affected by the closure of the plants

"The restructuring of the Vanderbijlpark plant is to ensure its global competitiveness We believe one of SA's important tasks is to encourage economic stability and growth

"Consultation is therefore of utmost importance," said Carol Ferguson, divisional manager at Iscor.

Ferguson says the restructuring will lead to "long term growth" and financial benefits which will go beyond just benefitting stakeholders and also the community

On the withdrawal of Numsa from the process, she said it was regrettable as the union had "made valuable contribution and their participation is important to us " and forestry department, nongovernmental organisations, utility Rand Water, Alexandra and

... suggest the project be delayed at least until detailed demand management studies due late next year have been completed"

'Take note of engineering factors'

Deborah Fine

BD 31/7/98 (189E)

THE SA Institution of Civil Engineering has appealed to government to take special note of civil engineering factors during forthcoming processes to restructure local authorities

Institution vice-president Kevin Wall said yesterday the engineering aspect of services delivery should be an important consideration during the re-demarcation of municipal boundries and the introduction of changes to local authority structures

Civil engineering services such as water, sanitation, roads and sewage formed a major part of local government expenditure The way in which municipalities were structured, their size and geographical boundaries were of vital significance for the delivery of services to consumers

Wall said substantial evidence was available on which engineering services were most cost-effectively delivered at regional level and which were more efficient at local level

Services such as mass transport, bulk water supply and highways were best delivered on a regional basis and were often associated with economies of scale where valid correlations existed between size, efficiency and cost In other services, such as reticulation systems to individual suburbs, there were no valid correlations

Cheapness of service was not the only valid efficiency criterion Where large organisations were more bureaucratic, slower to respond and less accountable to consumers, local level delivery could be more accessible to community participation

Cautioning against a "one size fits all" approach to remodelling municipalities, Wall said it was essential to examine each local authority separately to determine whether it was more suited to provision at a metropolitan or local level

Geographical municipal boundaries were also important Physical and financial efficiency in the delivery of sewage services, for example, would be assisted if each drainage area fell within one local authority rather than being split up between two or more

Wall said the institution was assisting the constitutional development department to devise performance criteria against which to measure municipal services delivery.

STEEL INDUSTRY (189)

RESTRUCTURED ISCOR STARTS TO ROLL

31/7/98

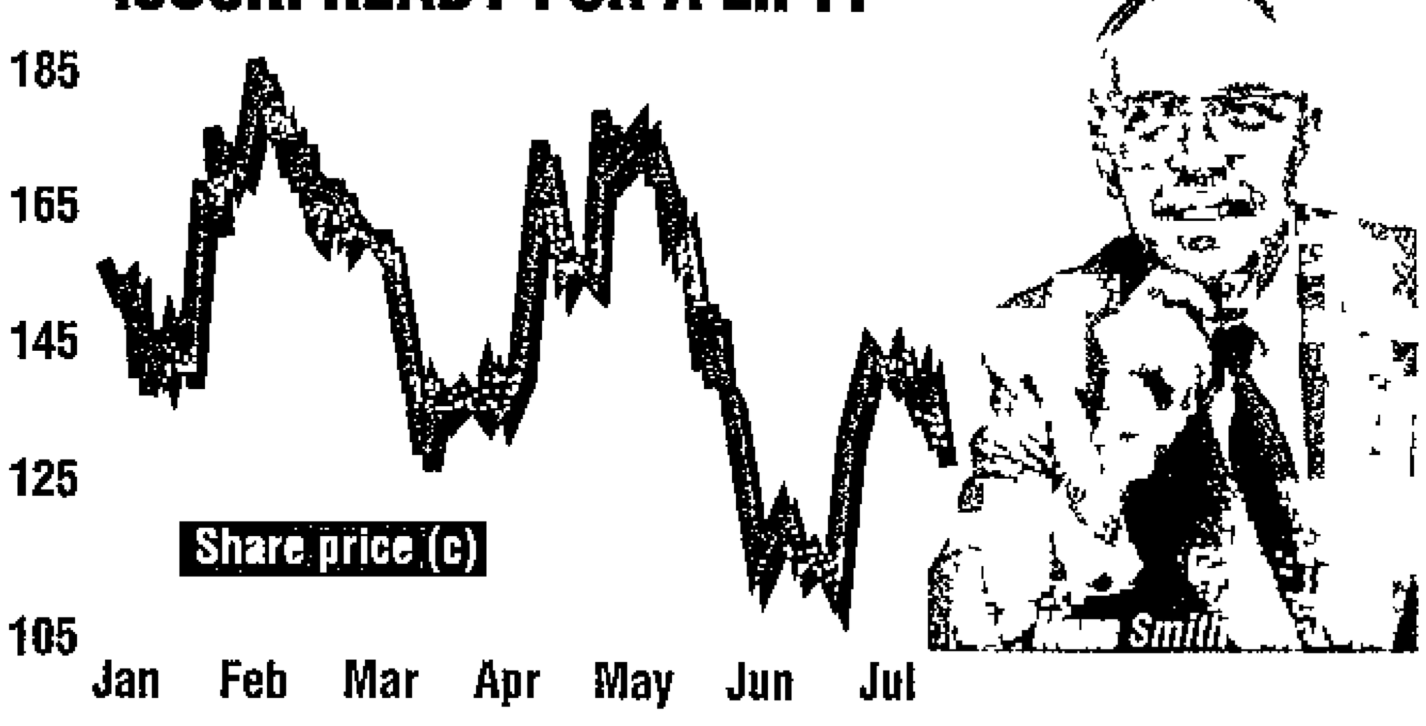
The steel industry will draw modest short-term benefits from the falling rand — but bigger longer-term profits from industry restructuring

"Come August," says Iscor executive chairman Hans Smith, "our 1998 annual report will confirm that group earnings for the year to end June rose by at least 60% — even though internationally traded steel prices, on average, declined by about 40% over the same period" (see graph) "The full impact of the East Asian crisis on steel prices has not yet worked through the market," he adds

Iscor seems ready for the challenge Its apparently good performance in financial 1998 has little to do with the rand's decline — which only really kicked in from July 1 But it has a lot to do with Iscor's 30-month restructuring programme, which began about a year ago Smith says further benefits from the programme should affect group bottom-line results over the next 18 months

"Obviously the rand's 20%-25% recent decline against the dollar should also boost export revenues But our 30-month re-engineering exercise is the real reason for the improved results By implementing product rationalisation, for example, we slashed the number of chemical grades leading to longer production runs and enormous efficiency savings," says Smith

ISCOR: READY FOR A LIFT?



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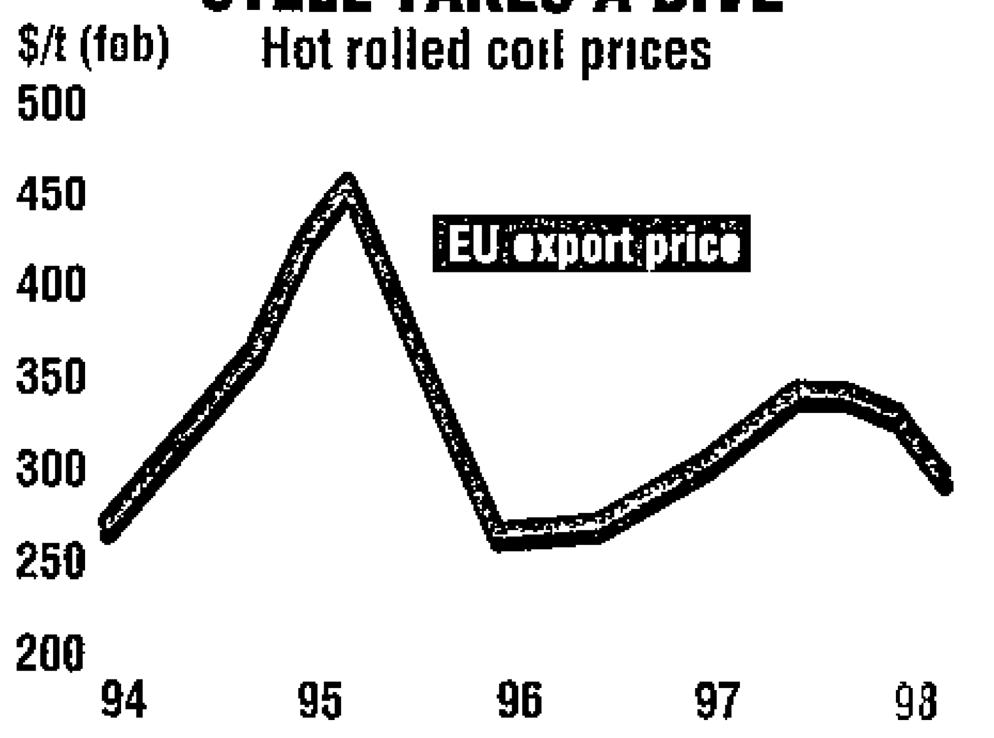
STEEL TAKES A DIVE

Hot rolled coil prices



SOURCE ISCOR

"Another clear-cut restructuring benefit is the decentralisation of marketing to our various divisions — Vanderbijlpark, for instance, is now responsible for marketing its own products"

Smith says Iscor has, since 1993, shed about 19 500 jobs, reducing its total work force from 54 000 to 36 500 at present A further 400 jobs will be shed at the Vanderbijlpark works "within the next six months" and an additional 6 000 jobs at that plant may be on the line "over an indeterminate period"

"But, while the unions will obviously never be totally satisfied with this type of action, we have not lost a single manshift to strikes since 1993 The reason is our upfront and transparent negotiating policy in which unions are kept informed and involved," he adds

Smith says that Iscor offers "a proliferation" of retrenchment, training and re-employment packages

The R7,2bn Saldanha Steel project — in which Iscor holds a 50% equity stake, together with the Industrial Development Corp — is "within 5% of budget Hot commissioning of the rolling mill should be completed by December"

The lower rand has improved the outlook for Saldanha Steel exports — though higher interest rates will hurt peak project funding "I'm optimistic and delighted with the management of the project and hopeful of a successful commissioning "Within 18 months, we should reach our production target of 1,25 Mt of hot-rolled coil But higher interest rates could push total project costs slightly above the previously estimated R7,2bn," adds Smith

Highveld Steel & Vanadium chairman Leslie Boyd — who also chairs the Columbus board — says that with little imported content, group exports should reflect second-half benefits from the lower rand "But our export customers are not stupid either — they will definitely try to negotiate price discounts as they are aware of our low rand benefits And neither should one underestimate the inflationary impact that will flow from the depreciated rand," he says

Boyd points out that imported nickel and molybdenum, along with locally produced chrome, are dollar denominated So there's no raw material advantage for Columbus

Columbus CE Dave Martin agrees "If the rand/dollar exchange rate remains at current levels, one could expect a minimal bottom-line benefit for the second half of the year World stainless steel prices are about 10%-20% down on a year ago and, while export revenues should benefit, input costs won't"

Arnold van Huyssteen

US reserves right to apply sanctions in SA drug row

(183)

CAPE TOWN — The US reserves the right to apply sanctions if SA fails to come to heel in its Transatlantic row over drug patents, Commerce Secretary William Daley said yesterday

"We are hopeful that our concerns will be addressed I would not want to say at this stage what actions we might take if they are not met," he said in response to a question at the end of a two-day SA visit

SA and the US have been at loggerheads for more than a year over the country's medicines act which allows it to flout patent laws if it believes it is being overcharged for medical treatments

Daley, who is at the head of a business delegation on a four-nation tour of Africa, met Deputy President Thabo Mbeki and Trade Minister Alec Erwin on Tuesday

"I talked about the matter in my meetings They listened but made no commitments," he said

"We obviously have concerns We also know the South Africans are concerned about the prices of medicines," he said

Controversial Health Minister Nkosazana Zuma said last month SA had no intention of being charged higher prices for drugs than other countries

"It is unacceptable to the government of SA that we pay a higher price for a patented product than other countries and at times higher than prices in developed countries," she said

"If the industry wants to segment the market, so be it

"However, we shall purchase from a segment that suits our purse," she told

US Commerce Secretary William Daley says the US has not ruled out sanctions in the dispute over patent rights on medicines Picture TYRONE ARTHUR

BD 3/12/98

the 19th assembly of the International Federation of Pharmaceutical Manufacturers in Cape Town

For their part the drug companies have warned that they will deprive SA of new drugs unless they can be sure their patent rights are respected

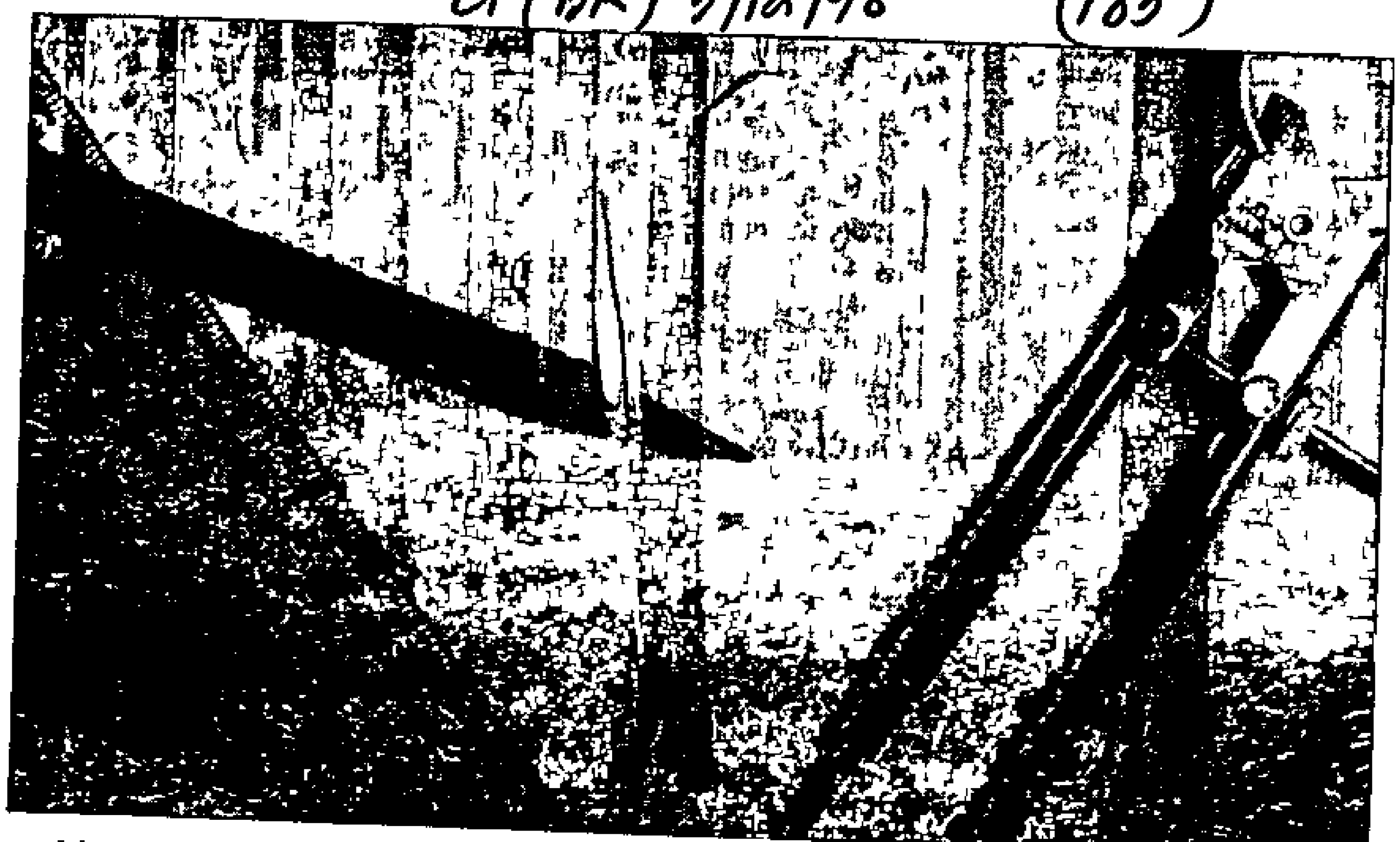
The US has put the country on a watch list for law breaking — Reuter

CHEMICALS

Jury is still out on Sentrachem deal

ET (OR) 3/12/98 (183)

JONATHAN ROSENTHAL



Little over a year ago, in un seasonably rainy weather for a Gauteng spring Sen trachem's board met to consider a takeover bid by the US firm, the Dow Chemical Company The year had been tough on the company, with weakening com modity prices and heavy foreign exchange losses

The board was torn by the conflicting pressures of institu tional shareholders pushing for a quick cash exit and those who felt they had bought into the company at far higher prices and wanted to give management a chance to restore some of the value that had been destroyed

But it was more than just a question of the shareholders Would it be better for the compa ny, its employees and customers for Sentrachem to hang tough or to sell to a multinational?

Looking out into the drizzle, the board made its call It told shareholders that, despite launching its own rescue pack age which was to have reduced debt by R1 billion and buoyed the share price, it felt earnings would be below expectations and advised shareholders to accept the offer

For shareholders expecting a quick fix, the perfect vision of hindsight showed within months that getting cash may have been the best option Last December, the group reported full year attributable losses of R235 million, from an attribut able profit of R249 million the previous year

A year on, the picture begins to look very different. Since the Dow takeover, Sentrachem has moved rapidly to offer R400 mil lion to take control of the Safripol joint venture with Hoechst, a state of-the-art, if small, polymer plant

Most businesses within the Sentrachem group found a natural home within Dow, which organises its business along in ternational product lines In the past few months, Dow has in vested R100 million in a herbi cide plant and moved its African and Middle East headquarters from Europe to Johannesburg

The old Sentrachem agricul tural operations have been neat ly packaged into Dow's agro sciences division, and the South African operations will become Dow's global producer of tebuthiuron, a herbicide

Sentrachem's US operation, housed in Hampshire Chemical, was an obvious fit with Dow's speciality chemical operations, and was seen by many analysts as one of the two real prizes for Dow in the acquisition

The restructuring has, how ever, incurred the wrath of the unions In a newspaper opinion piece, Manene Samela, the gen eral secretary of the SA Chemi cal Workers' Union (Sacwu), argued that job losses at Sentra chem had caused the unions to question whether mergers and buyouts in the industry were to the benefit of the country

"After the recent takeover of Sentrachem by the American giant, Dow Chemicals, a number of viable Sentrachem plants and enterprises were downscaled or closed, apparently because they posed a threat to Dow's global strategy," Samela wrote

And as the new Dow-Sentra chem board looks out of the boardroom window on to anoth er wet spring, it faces decisions almost as tough as those taken a year ago

What will it do with the NCP and Karbochem divisions, that between them generate almost R2 billion in revenue for the group and in 1996 employed nearly 3 000 people?

Neither is a natural fit with Dow's core operations

Industrialists and unionists have speculated on which of these businesses would be the first to hit the auction block Several companies are known to have submitted bids for portions of the business

Yet within Sentrachem man agement, NCP, a producer of alcohols, chlorine products, resins and solvents, is consid ered to be one of the more prof itable divisions in the group.

Which perhaps explains their angry response to an arti cle last week indicating that NCP was up for sale and that it had already shut down and scrapped large parts of its Germiston plant

Not so, says Sentrachem, pointing to the fact that several operations are still running at the site, which still employs 450 people, and the site is but one of five operated by the group

"NCP's contribution to Sen trachem is healthier than ever The division has always been the jewel in the Sentrachem crown, and is showing a new robustness in the depths of the current petrochemicals cycle downturn, thanks to productivi ty improvements and business rationalisation," says John Counihan, Sentrachem's public affairs manager

In 1996 NCP, which employed 1 893 people, generated earnings of R154 million before interest and taxation on turnover of R1,1 billion

The dilemma revolves around a question of whether Sentrachem can convince Dow that NCP's businesses should become core growth businesses for the group internationally, or whether it should be sold off as a going concern

Counihan, who has spent much of his professional life at NCP, believes that in the right hands it could have the critical mass to stand apart from Sentra chem and become a building block for a new, and possibly black-owned, chemical group

To that end, Dow has resisted selling off bits of NCP in a piecemeal fashion, although it has moved out of businesses in which it feels it has no competi tive advantage, hence the sale of its solvents business at Germis ton to Sasol.

"There is no consideration whatsoever to letting companies cherry pick the juicy bits," he says.

Sentrachem is through an initial bidding process and has drawn up a shortlist of potential buyers The next stage will be to select a preferred bidder and go through due diligence investiga tions with the possibility of putting a deal on the table early next year

The real task is to find a bid der with the skills to add value to the business rather than just a passive investor. No mean feat in a historically white-dominated field.

And, of course, Dow will want to realise full value for its investment.

"Should the current disposal evaluation not reveal a suitable buyer, then the status quo option will be exercised," he says. "The jury is still out on the best strate gic options "

The other jury still out is on the benefits to the country and company of Dow's acquisition. Jobs have been lost in some areas and investments made in others Some plants have been shut while others are now global suppliers, yet the net effect remains to be seen

List drawn up to ensure public hospitals stock basic drugs

Star 4/12/98 (183) (...)

A list of cheaper, alternative drugs that all public hospitals and clinics are obliged to keep in stock was launched by Health Minister Nkosazana Zuma in Pretoria yesterday.

"The list was drawn up with a view to ensuring the availability of medicines to the majority of South Africans at affordable prices," she said in Pretoria.

"Drugs that are on the list will always have to be in public clinics and hospitals, but drugs that have not been listed will not be banned from the country," Zuma said.

The Essential Drug List (EDL) names 693 medicines which can be used to treat most of South Africa's common health problems, according to EDL committee chairperson Patrick Mokhobo.

A statement released at the launch said the list was drawn up based on World Health Organisation guidelines

Drugs included on the list were those found to be the cheapest, the best researched, and those produced by the most reliable local manufacturer

Mokhobo said the list would be updated regularly in response to new diseases. Zuma said there was a huge market for South African-made drugs because they were cheaper but still of a high quality – Sapa

Sasol holds back on its alcohol-spiked petrol

Despite protests from Shell SA and others in the oil industry, Sasol is determined to feed its surplus alcohol into the tanks of SA motorists, writes DON ROBERTSON

ST(BT) 6/12/98 (183)

SASOL has again postponed its controversial use of an alcohol blend in 93 octane petrol, claiming that modifications to receiving depots have not been completed by all the oil companies

At least one of the multinational oil groups, Shell, is opposing the use of blended petrol

Shell SA says there are several technical issues and concerns that arise from the introduction of a petrol-alcohol mix by Sasol, and the two companies are working together to resolve these

"Until such time as vehicle manufacturers and other parties have assured themselves about technical concerns, Shell will act in the interests of the motorist in not taking receipt of petrol-alcohol blended fuels," says a Shell spokesman

Industry sources, none of whom would be identified, say that Sasol has yet to prove the alcohol blend is "fit for purpose" and can be used by all vehicles, whether locally manufactured or imported, no matter how old

"We won't take the petrol until all the technical aspects have been resolved and there is proof that the petrol will not cause any financial problems for motorists," they say

A similar alcohol mix was introduced into petrol in the late '80s during petrol sanctions but withdrawn a few years later following complaints by vehicle manufacturers who were faced with big costs in repairing and replacing corroded fuel systems

In Gauteng, parts of the Free State, Mpumalanga and Northern Province, a 12% mix of alcohol is set to be added to standard 93 octane sold through major groups such as Caltex, Total and Shell It will not be added to unleaded petrol About 50% of all fuel sold by oil companies nationally is Sasol-based

The alcohol is a by-product of Sasol's oil-for-coal process and was previously exported to Brazil This market has now dried up and Sasol's alcohol is in surplus

Earlier attempts to introduce the alcohol mix were strongly opposed by motor manufacturers, the AA, oil companies and the Motor Industries Federation

Earlier this year, the SA Bureau of Standards ruled against a petition by oil refiners, car manufacturers and the AA to have petrol specifications changed to exclude alcohol

Sasol spokesman Alfonso Niemand says the reason for the postponement is that certain modifications to equipment at oil company depots have not yet been completed

Of the alcohol mix, 85% will consist of higher grade ethanol This compares with the 65% ethanol contained in the mix when it was introduced years ago At that time the fuel systems of many vehicles were damaged as the alcohol reacted with fuel lines and the aluminium in carburettors

Sasol says the higher ethanol mix will prevent such problems from reoccurring and has stated that in the event of incompatibility between the blended petrol and vehicle fuel systems, it will repair the damage

The target date for introducing the mix was set for December 1, says Niemand It is now likely to be introduced in the next few weeks, but no final date has yet been set, he says Tests are still being conducted with various car models

OPTIMISM BY THE BARREL . . . Penuell Maduna foresees a state-based, but not state-controlled, oil company

SA on track for first national oil company

ST(BR)6/12/98 (183)

OIL INDUSTRY

By SHERILEE BRIDGE

SOUTH Africa's first truly national oil company, as proposed by the minerals and energy ministry, is likely to be listed on the Johannesburg Stock Exchange as part of government plans to play a minor role in the industry within five years

A national oil company, likely to be formed out of a restructuring of the government's existing oil assets such as Mossgas, Soekor and the Central Energy Fund, could be a reality by as early as mid-1999

The potential listing is in line with Minerals and Energy Minister Penuell Maduna's vision of a state-based, but not state-controlled, oil company that would make a profit and run on sound business principles, with broad public and private sector participation

Formalisation of the national oil company will be discussed more fully once the state-owned assets have been commercialised

Soekor spokesman Marcus Banga says that the transformation is more a normalisation than a commercialisation, giving shape to the thinking about a national oil company able to compete in an international arena

Commercialisation would include the reduction of debt, removal of subsidisation and the shuffling of shareholding to create a viable company that could be partially privatised or run within the structure of the national company

State assets are a good starting point for the envisioned oil company, which would be involved in all stages of the liquid fuels supply chain exploration, procurement of crude oil, refining, storage, transportation and distribution, and wholesale and retail marketing

Soekor is involved in oil and gas exploration, Mossgas is in gas-to-petrol production and the Strategic Fuel Fund manages oil stocks Government, through Transnet, owns pipeline company Petronet

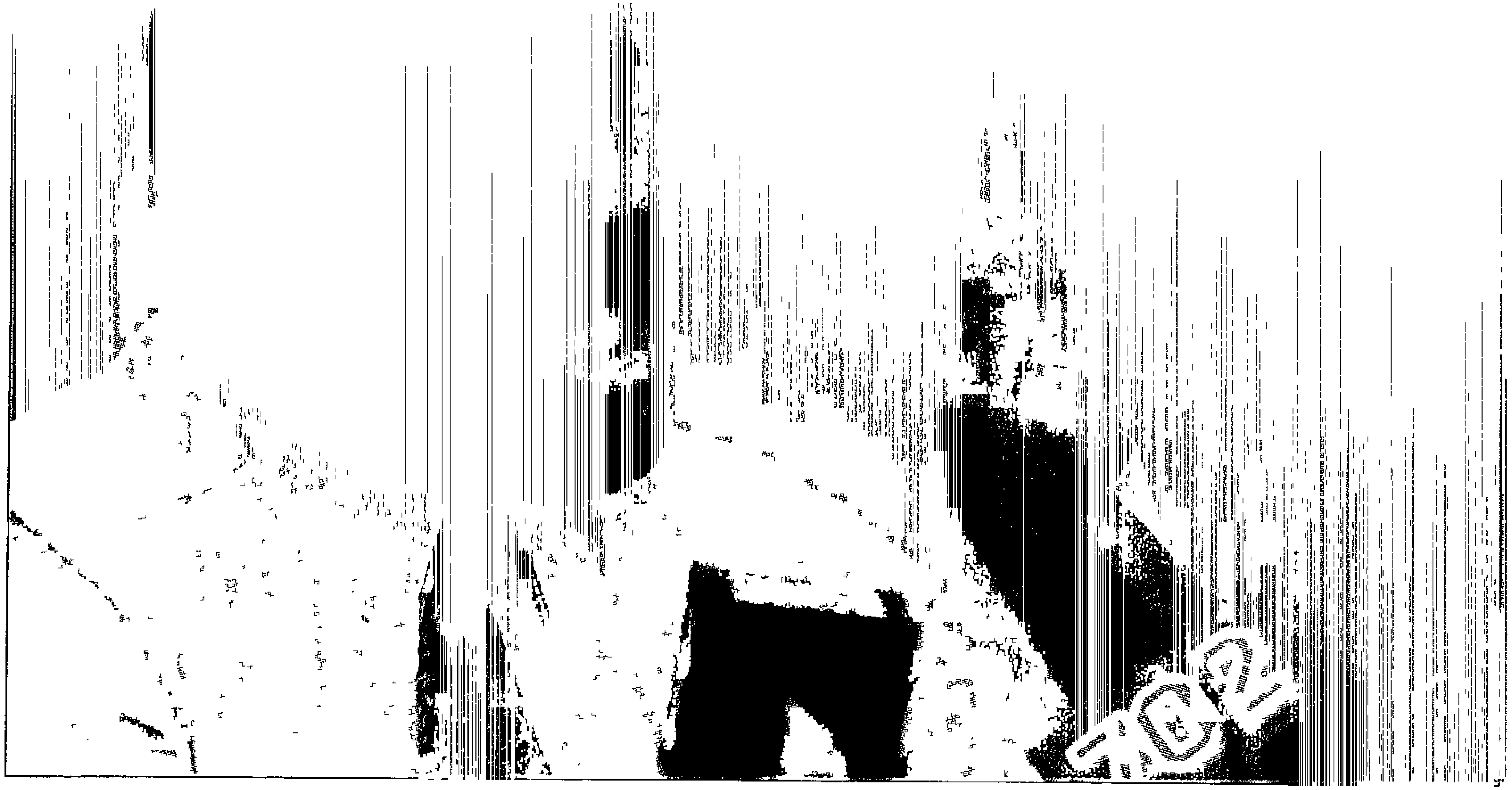
Banga expects the commercialisation of all the state assets to be complete towards the end of the second quarter of next year

State shareholding in the new company is still to be decided but the initiative is expected to encourage black empowerment

Banga says the listing of the company will open it to local and foreign investors, raise capital and add value The creation of the company has been a point of controversy for SA's deregulating oil industry, with concern about ongoing state involvement in a reformed industry

☐ In more oil industry news, the Kudu gas partnership of Shell, Texaco and Energy Africa said last week it had successfully completed drilling and testing the Kudu-5 well offshore Namibia

The completion indicates a large increase in the gas potential of Kudu, reinforcing confidence in the long-term availability of gas and supporting the pursuit of a regional gas industry for Namibia and SA.



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Sasol to end supply deals

BD 10/12/98 (183)

Fuel and chemicals company pre-empting government plans to deregulate energy sector, say analysts

David McKay

FUEL and chemicals group Sasol is to end its compulsory fuel supply agreements with multinational oil companies

Analysts said this effectively pre-empted government's own five-year ambition to deregulate SA's energy sector in which it would institute competitive pricing of petrol and remove restrictions on the number of outlets selling fuel.

Sasol said yesterday it was to spend R14bn over the next five years increasing its production of chemicals and fuels The increase in crude oil, from the Natref refinery where a 30% increase in volumes was planned and synthetic-derived fuel from Secunda where a 15% volume increase was planned, were the driving force behind its need to change the supply agreements, it said

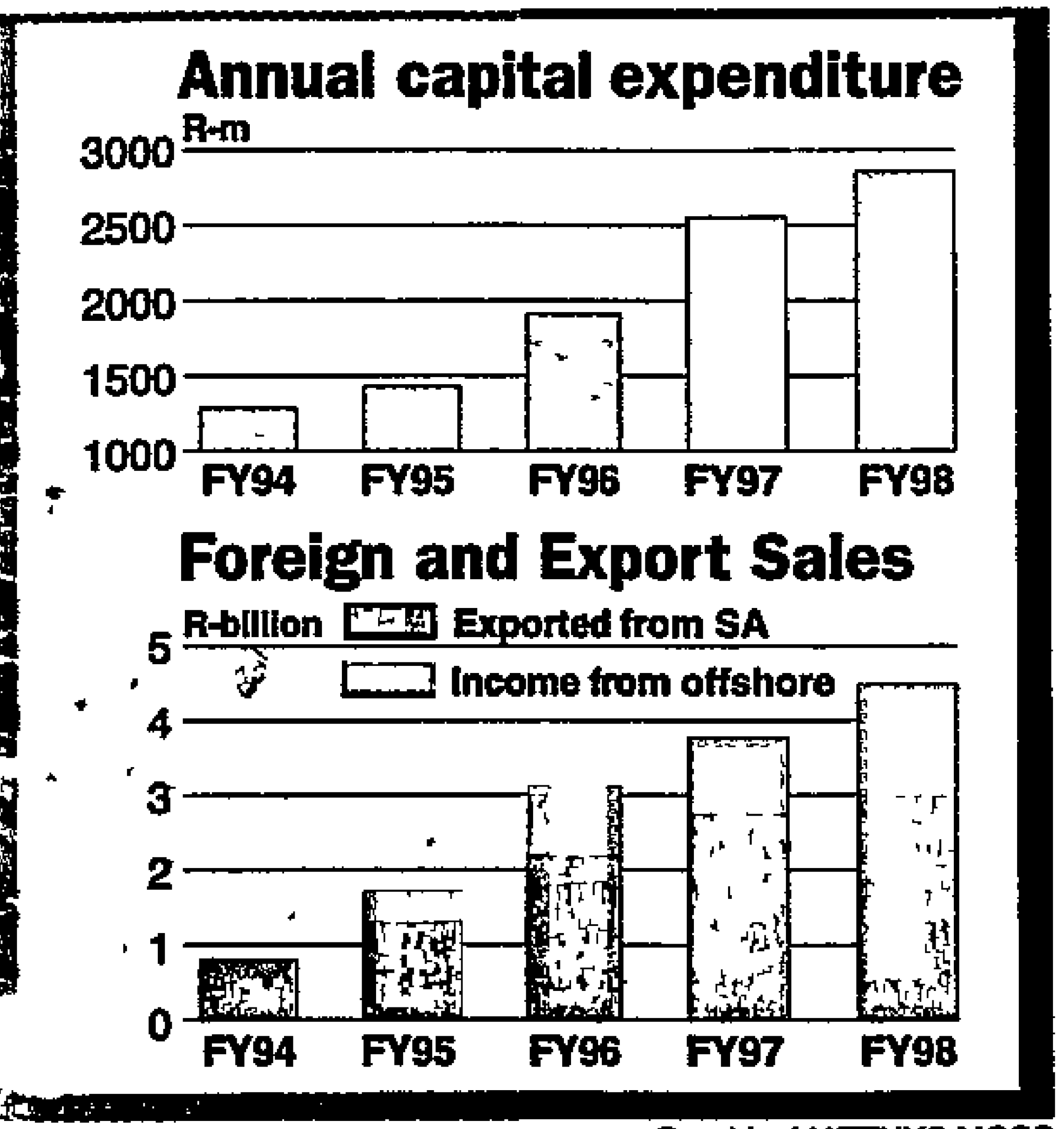
The supply agreements with oil companies such as Caltex, Engen, Shell and BP date from the 1970s and 1980s and require the oil companies to buy a defined volume of Sasol's fuel production on a wholesale basis

But Sasol MD Pieter Cox said the agreements were outdated and capped Sasol's growth ambitions Sasol produced about 7,7-million cubic metres of fuel a year from Secunda and Natref — the bulk of which the other oil companies were required to buy

It could produce more and in negotiating new supply agreements, Sasol said it was considering increasing its presence at the forecourts of oil company stations One option was to buy service stations and sell the fuel under its own logo.

Analysts said renegotiating the agreements could lead to a more competitive and liberal fuel sector akin to what government intended in its deregulation proposals But Sasol spokesman Alfonso Niemand said Sasol's decision to negotiate new supply agreements was driven by commercial needs and not linked to the deregulation debate

Sasol Synthetic Fuels' production facility at Secunda



Graphic: MATTHYS MOSS

Nonetheless, Sasol's plans drew criticism from analysts who labelled the move as window dressing One said Sasol's announcement merely regurgitated government's deregulation plans "Quite frankly, this is a disappointing announcement by Sasol It is a damp squib "

Analysts said new fuel supply agreements could open doors for Sasol, however. Sasol has already been linked in a possible joint venture to Engen whose major shareholder, Petronas, was interested in Sasol's gas technology research

Of the R14bn which Sasol intends to spend, about R1,5bn has already been approved for five new projects aimed at driving its chemicals sector Analysts said this expenditure was overdue as Sasol had long identified the premium it placed on this business over its fuels business. "Sasol's intention to spend this much money was well known," one said

However, the market took a shine to Sasol's announcement with its share price gaining R1 or 4,3% to end at R24 on the Johannesburg Stock Exchange.

Cox said that in addition to the R1,5bn already approved, further projects valued at R2bn, mainly in the solvents and alpha olefins divisions of Sasol Chemical Industries, were at "an advanced stage of planning". Sasol Solvents, a division of Sasol Chemical Industries, marketed about 450 000 tons a year of solvents This would increase by 280 000 tons a year over the next five years

Consideration was also being given to pursuing offshore plans in the longer term. The group has been linked to a secondary listing, possibly in London.

Cox said renegotiating the supply agreements would boost Sasol's bottom line and bring the company into line with government's future competition and energy policies. "This must not be viewed as an aggressive step by Sasol. The company intends to look afresh at the needs of the industry In addition, Sasol intends to move closer to the consumer In not just being a wholesaler of fuels, the group will be able to participate across the whole spectrum," he said

Sapia, the organisation which represents the oil companies excluding Sasol, declined to comment. "I have no mandate to comment on a commercial matter," spokesman Colin McClelland said

Picture: Page 4

PETROLEUM *End of mandatory Blue Pump era spells more intense competition*

Sasol terminates supply pact

CT (PM) 10/12/98 (183)

JONATHAN ROSENTHAL
INDUSTRIAL EDITOR

Johannesburg — Sasol, the synthetic fuel producer, served notice on its competitors yesterday that it was terminating a controversial supply agreement that for the past two decades required them to buy Sasol synthetic fuel worth an estimated R5 billion to R7 billion a year

The notice was hailed by industry insiders as an important step towards introducing greater competition in the liquid fuels industry, but enthusiasm remains tempered because Sasol has an effective supply monopoly in the Gauteng market

Sasol also said it had approved capital projects worth R1,5 billion at its board meeting last week The projects are focused on increasing its production of solvents and other higher value chemicals It also said it planned to invest R14 billion over the next five years in a range of projects that would include expanding its fuel production capacity

The agreement between Sasol and its competitors, which has never been signed because of an almost continuous stream of disagreements, disputes and allegations of breach of contract, requires Sasol's competitors to buy little more than 5 million cubic metres of refined Sasol fuel a year at an import parity price In exchange, Sasol agreed at the time to a restraint of trade that prevents it from directly marketing its products to the public except through Blue Pumps in its competitors' service stations

Pieter Cox, the managing director of Sasol, said he had given notice to overcome the capacity constraints contained in the agreement in the light of a planned 15 percent increase in synthetic fuel production and a 30 percent increase in the capacity of the Natref refinery The refinery is a joint venture between Sasol and Total

"Termination of the agreements will give Sasol the flexibility to enter into new supply agreements with one or more oil companies for its synfuel production and to put structures in place to facilitate the direct marketing of its fuels derived from crude oil This will result in increased volumes and better margins," Sasol said

A Shell spokesman confirmed his company had received the notification and said it had come as no surprise in light of Sasol's previous attempts to have the agreement declared a nullity in litigation and arbitration proceedings

The South African Petroleum Industry Association said it had not taken a position on the issue as it was a commercial rather than policy matter

But industry insiders said this would bring the question of Transnet's rail and pipeline tariffs to the fore They argued that transport tariffs would have to be reduced to introduce competition in the inland market.

Sasol shares firmed 100c to R24 in heavy trade worth R66 million

WASHING HIS HANDS *Sasol's Pieter Cox explains the decision to terminate the supply agreement, while (left) Russell Kennedy, the general manager for finance, listens* PHOTO JOHN WOODROOF

☐ **Business Watch, Page 2**

AECI sued for R200m on fires

CT (BR) 15/12/98 (183)

RONNIE MORRIS

Cape Town — AECI, the commodity chemicals group, is facing a R200 million damages action from Macassar residents following fires at its sulphur stockpiles at Somerset West three years ago

Last year Siraj Desai, the judge who chaired a commission of inquiry into the fire and its consequences, found AECI's conduct causally negligent in that it had taken no steps to assess the risk of fire from sulphur storage and did not take precautionary measures.

In addition, the 4 000 residents are suing AECI Operations Services, a service company within the AECI group, and Cape Explosives Works, a property holding company

Also cited are Josef Erasmus Coetzee, the managing director of AOS; AW Humphries, the general manager of the Somerset West site, Michael Douglas, the loss manager at the site; and Leonard Guthrie, the fire master.

A stockpile of 15 000 tons of sulphur stored in a grassy veld at the site caught fire five times between December 13 and 16 1995

The fires consumed 7 250 tons of sulphur and released a sulphur dioxide cloud which drifted over and enveloped the township of Macassar.

This development led to evacuation of Macassar residents from their homes and to thousands suffering adverse physical reactions These included vomiting and nausea, coughing; burning; irritation of the nose and eyes, asthma-like attacks, bronchitis, chest pains, puffy, teary and bloodshot eyes, and longer-term respiratory injury

The residents further claim that the sulphur dioxide cloud destroyed and damaged their property. This claim included food, pets, gardens, indoor plants, vegetable crops, soft furnishings, linen, clothing, furniture and woodwork.

They also said they suffered emotional stress and, in some cases, psychological impairment.

They claim that AECI, its subsidiaries and the managers failed in several respects to exercise reasonable care to ensure that the stockpile did not ignite, and to contain the risk if it did ignite

The plaintiffs charged that AECI became jointly and severally liable for their injury, damage and loss

They therefore claimed judgment against the defendants and the costs of the suit

AECI sued for R200m after fires

CT 15/12/98 (183)

STAFF WRITER

THREE years to the day after poisonous gases from a sulphur stockpile fire at AECI's Somerset West site badly affected 4 000 Macassar residents, the company is being sued for R200 million in damages

Observers said it was the first environment impact disaster lawsuit in South African legal history and also the first time so many plaintiffs have been joined

Had the claims been brought later than today, they might have been prescribed because legal action must be brought within three years

Following a commission of inquiry, Justice Siraj Desai ruled in July last year that AECI's conduct had been causally negligent

The company had taken no steps — from the time when the stockpiles were established in 1967 to December 1995 — to assess the risks of fire and introduce safety measures, the commission found

Judge Desai expressed concern about the tardiness of the Department of Trade and Industry and AECI in disposing of the sulphur stockpile before and after the incident

It was subsequently decided by the government last year to distribute the remaining 8 000 tons of sulphur to Swartland farmers free of charge

To avoid issuing 4 000 individual summonses, 70 summonses were issued on behalf of groups of between 50 and 70 residents Supporting documentation in the summonses number about 200 pages while the overall documentation amounts to 54 000 pages

Their lawyer, Taswell Papier, and his fellow lawyers, have been working until about 3am every day for the past month to issue the summonses in time

When five fires raged at the stockpiles between December 13 and 16, 1995, a sulphur cloud hung over the township of 30 000 people Two asthmatic brothers, Ronald, 47, and Andrew Williams, 54, died of respiratory problems and 150 people were hospitalised as a result of the toxic gases The Williams families have indicated they will institute a separate claim against AECI of more than R1 million in damages

It took 12 bulldozers, three helicopters, 20 firefighting vehicles and 150 firemen to douse the fires An equal number of police and traffic officers helped

In addition to suing AECI, the residents are also bringing the action against AECI Operations Services (Pty) Limited (AOS) — a service company within the AECI group — Cape Explosives Works Limited, Josef Erasmus Coetzee, managing director of AOS, A W Humphries, general manager of

Turn to Page 3

LEGAL HISTORY: Lawyers finalise the paperwork in the damages action brought by Macassar residents against AECI *PICTURE WAYNE CONRADIE*

AECI sued for R200m after Macassar fires

(183)

From Page 2

the Somerset West site, Michael Douglas, loss manager at the site, and Leonard Edmund McDonald Guthrie, fire-master at the site

In their particulars of claim, the residents say that the stockpile of 15 000 tons of sulphur stored in a grassy veld at the site caught fire five times between December 13 and 16, 1995, during which 7 250 tons of sulphur were consumed

A sulphur dioxide cloud was released into the atmosphere and drifted over and enveloped Macassar and led to the large-scale evacuation of residents from their homes

The residents said they were not evacuated from their homes early enough to escape injury caused by the sulphur dioxide cloud and that thousands of people suffered adverse physical reactions, including vomiting and nausea, coughing, burning, irritation of the nose and eyes, asthma-like attacks, bronchitis, chest pains, puffy, teary and bloodshot eyes and longer-term respiratory problems and emotional stress and psychological damage

The residents further claim the sulphur dioxide cloud destroyed and damaged their property, including food, pets, gardens, indoor plants, vegetable crops, soft furnishings, linen, clothing, furniture and woodwork

They contend that AECI, its subsidiaries and the managers failed in various respects to exercise reasonable care to ensure that the stockpile did not ignite, and if it did, to contain the risk

They also failed to take any precautions, alternatively failed to take adequate precautions to protect the stockpile against the risk of fire

The residents further claim that AECI and its managers failed to establish and maintain a firefighting service at the site and further failed to establish and maintain an appropriate fire protection plan

A Somerset West Emergency Action Plan (SWEAP) was prepared, but AECI failed to ensure that it made provision for adequate emergency back-up staff and facilities for their internal firefighting service

The residents further claim that the company and its managers had failed to apply and adhere to an engineering code of practice for the handling and storage of sulphur in their management of the stockpile

The company is also accused of having failed to post a guard at the site of the recurring grass fires from December 13 to 16 to raise the alarm if the fire flared up again

The residents contend that AECI failed to activate the SWEAP plan or to do so timeously, delayed unduly in calling out the external firefighting services, delayed unduly in informing Macassar residents of the emergency created by the fire

Some of the damages actions will be heard in the Somerset West Magistrate's Court and others will be heard in the High Court Six other law firms are also acting for various Macassar residents

CT 15/12/98

This year will be remembered as one when traditional blue chips lost the last traces of their seemingly inexhaustible sex appeal The days of building a pension fund on the back of a handful of SABs, a few Libertys and a sprinkle of De Beers have ended The sale by Old Mutual Investors' Fund of almost its entire holding in De Beers in March and its replacement with Gensec, Supergroup and Investec, among others, was a public declaration that traditional blue chips have become expendable

The pedigrees of blue chips vary, but one of the most common requirements is that the company must have increased its dividend payments consistently over the past five to 10 years, with earnings and the share following a steady upward path — allowing for market aberrations

By those measures, traditional blue chips have been demoted to the ranks of peasants Witness Liberty, on a 2,7 p e, CG Smith on a 6,2 p e, Anglo American on an 8 p e and De Beers resting on 7,2 Smokestack industries like Iscor (3,5 p e) have seen better days Commodity food businesses like OK (engulfed by Shoprite), perhaps even Pick 'n Pay, no longer rate as blue chips

Granted, the market's flop has sent all but the most resilient to the guillotine, but

INVESTMENT

OLD BLUE CHIPS TURN GREY OUTSIDE APARTHEID'S HOTHOUSE

The traditional blue bloods fall and a new class struggle begins

>>The new companies edging up the Indi 25 focus on total shareholder value, and management has everything to prove<<

Walter Aylett

there's been little recovery among the aristocrats (see graph) It is called the falling angel syndrome

"These companies did well in apartheid, hothouse SA, where there was no competition domestically Exchange controls restricted local institutions to local shares, forming a rising flow of funds which supported the shares," says former fund manager Chris Logan "However, this cosy, incestuous environment has changed Markets have come under attack and institutions are putting their money offshore In turn, the high liquidity of these shares means they're popular among foreign investors and quickly sold off when emerging markets falter"

Their decline is part of a move towards hype and more sexy industries, but it also signals changing investment patterns In the Seventies and Eighties, blue chips were considered heirlooms, shares bought on a 20-year view "But the investment management market is becoming much more competitive Unit trusts are rated quarterly and their numbers appear in newspapers three times a week They can't afford to take such long-term views any more where there's no short-term catalyst to unlock value," says Logan

Life companies may continue to collect large lumps of traditional blue chips and take long-term views, but unit trusts (institutional shop windows) and individual investors are gradually getting out in favour of intellectual capital — banking and IT shares, but also Woolworths and Educor

The JSE's new classification system will leave little place for industrial holding-type companies with intricate control structures The blue chips that bought up a multitude of companies on low p es when foreigners disinvested during the Eighties are being punished for their lack of focus

"In addition, the new companies edging up the Indi 25, such as Bidvest and Didata,

SASOL

PLENTY OF AMBITION ON TAP AT SASOL

Chemicals giant takes on the world again

(183)
FM 18/12/98

SA chemical supergroup Sasol just can't seem to launch itself over the top of its own defensive lines quickly enough to go and take over the world

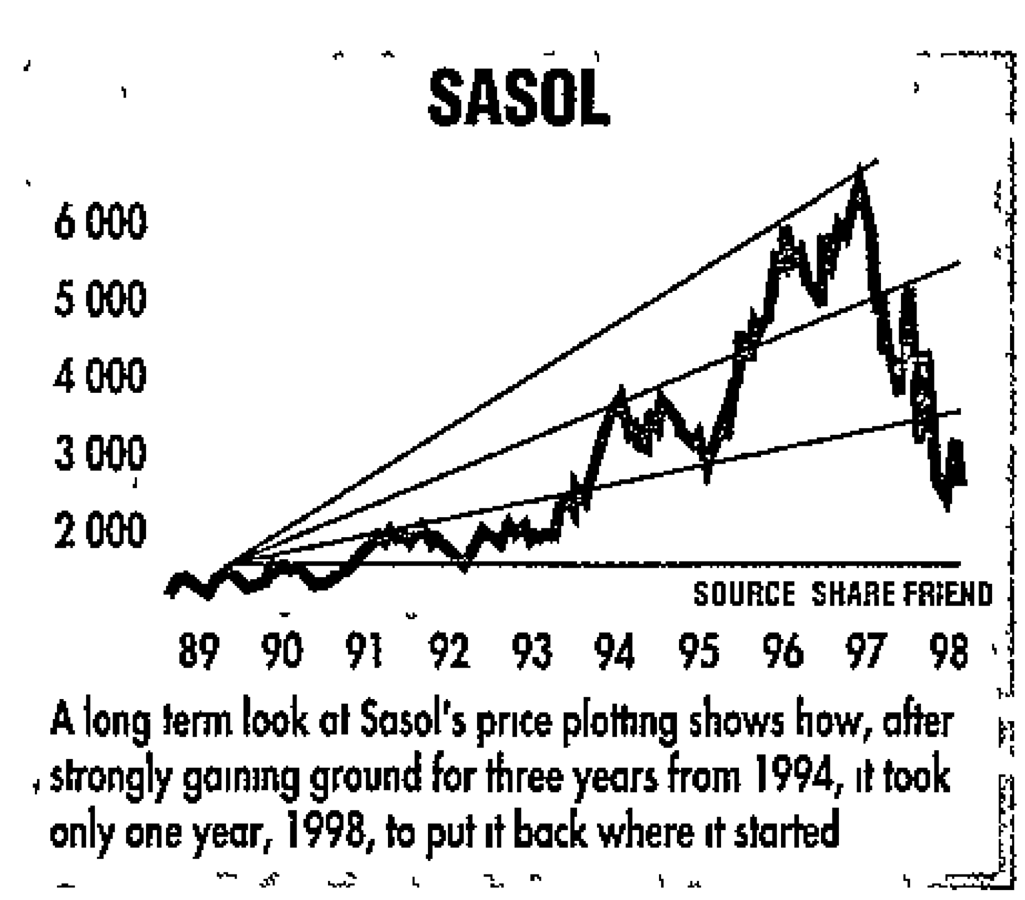
Its latest plan to increase the Sasol empire was unveiled last week and takes the form of a five-year notice to oil companies that it will terminate its supply agreement with them The agreement dates back to the late Seventies and requires oil companies — BP, Caltex, Engen, Shell, Total, Zenex, Tepco and Exel — to purchase a defined volume of Sasol's fuel production on a wholesale basis

The decision is important for the industry since Sasol currently supplies 44% of SA's fuel — the bulk of which goes into Gauteng — through its plants at Secunda and Natref And it is also significant for Sasol, which derives over 40% of its earnings from the sale of fuel

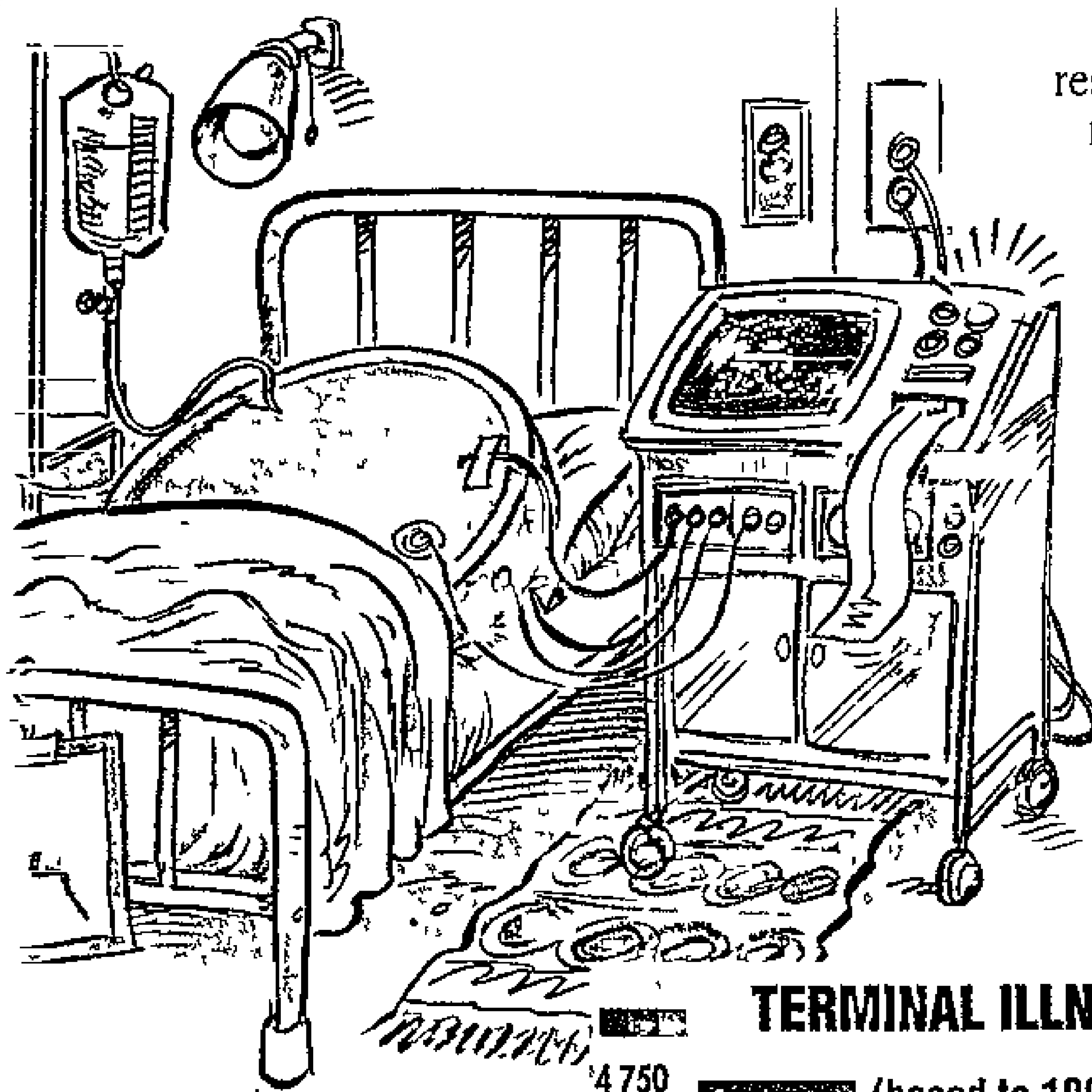
The move has been described by industry sources as "not unexpected" Sasol says that though the agreement served both oil companies and Sasol well in the past, it needed to be dismantled so the company could achieve growth largely through increased volumes Something less easy to forecast is what the new arrangement is likely to be

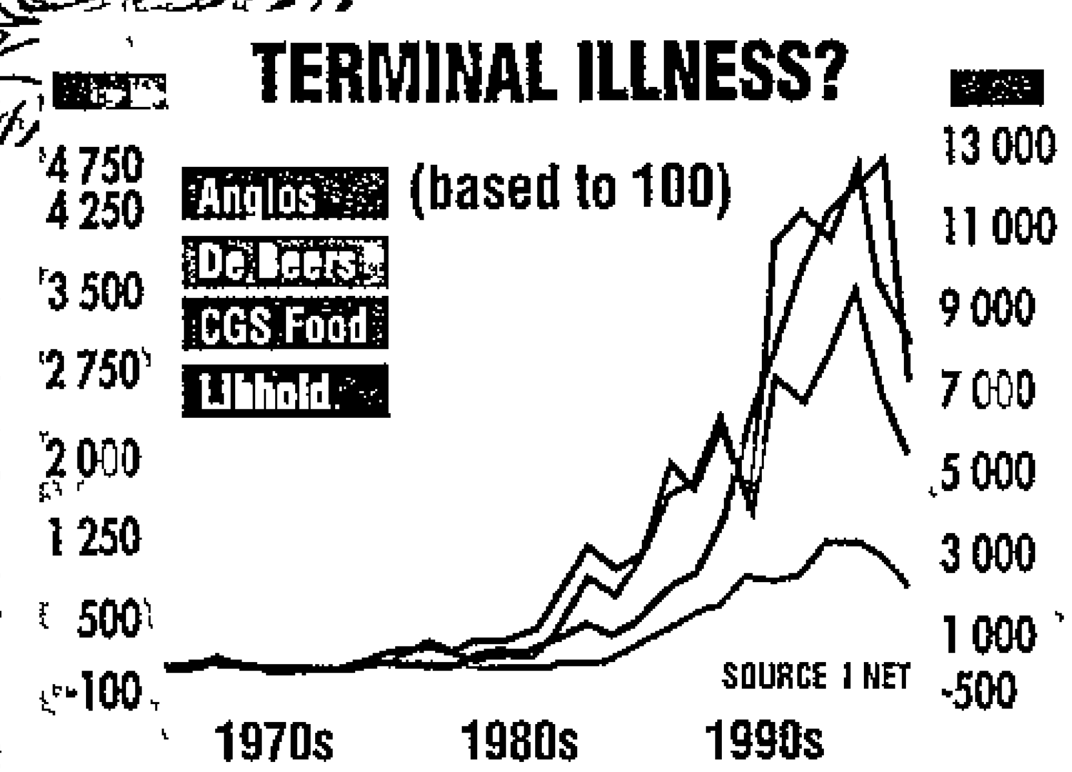
Sasol MD Pieter Cox says the termination of the arrangement "will give the flexibility to enter into new supply agreements with one or more of the oil companies for its synfuel production and to put structures in place to facilitate the direct marketing of its crude oil derived fuels"

He says there are several possible scenarios on the synfuel side These include putting in place a more selective agreement or the establishment of a new supply



A long term look at Sasol's price plotting shows how, after strongly gaining ground for three years from 1994, it took only one year, 1998, to put it back where it started





focus on total shareholder value, and management has everything to prove," says Coronation portfolio manager Walter Aylett.

Nonetheless, the strategic analysts have been forecasting a return to value stocks (defined as low price to book, and a p:e below 10) away from growth shares, indicating a renaissance for most blue chips. The theory is that value stocks resurface in a bear trend, provided the market sees earnings coming through one year ahead. That change has yet to happen. "I think the two definitions are arbitrary. Low price to book must be seen in relation to a decent return on equity to indicate good value," says Investec's Piet Viljoen. Part of the appeal of value stocks is the hefty dividends they pay — Anglo American produces a 5% dividend yield. Altron offers a 5% yield and Iscor 9,8%, compared with nil from Didata, 0,7% from Comparex and 0,3% from Bidvest — the new generation of blue chips.

But aren't dividends a sorry alternative to capital gains? "The less dividends you pay the better, though they are of interest to some minority shareholders. It's far better to use the cash to acquire or buy back shares if they're undervalued, to boost earnings growth," says Aylett. He numbers Tiger, SAB, Liberty and Altron as possible buyback candidates.

Some people disagree, saying dividends offer a last resort of safety in a bear market. "If it's a well-managed company, offering a 6%-plus dividend yield, you can presume it will grow EPS above inflation in the long term," says Viljoen.

Chasing high-p:e stocks has its own devils, but it is dangerous to buy bombed-out blue chips on price alone. These shares need a spark to prompt a rerating — like an industry upturn, restructuring or better management. Safren is an example, where Bidvest's takeover of Rennies and its unbundling has unlocked value fairly quickly. Franchise leader SAB is expected to rerate as its global expansion takes off. Tiger Oats' food business is based on commodities. However, after religiously delivering around 20% earnings growth each year, it could have been unjustifiably oversold and may see a rerating once interest rates improve.

It is hard to ignore Anglo, with its grip on the SA economy and impending trip to London, but it needs to be bought with a view to the commodity cycle. Management also needs to get on with restructuring and to be seen to be doing the right thing constantly. "It's all about earnings visibility," says Investec portfolio manager John McNab.

In a bear market the appellation "blue chip" is becoming a hard-won trophy and, increasingly, offers a false sense of security. Companies may be thrown out of the club and rejoin rapidly. Named for the highest-rated chips on the casino table, SA's blue chips must justify their status in the context of a global economy. **Tammy Lloyd**

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and distribution company, co-owned by Sasol (through Sasol Oil) and one or more oil companies. Cox says the latter arrangement would probably be the biggest joint venture in the group and could result in new opportunities. "Initially we want to put in place a deal which will deal with fuel. But if it should happen that there are other synergies in chemicals, gas ... that will be a consideration."

It's interesting to note that Cox says government (a shareholder in Sasol) has viewed the unravelling of the supply agreement as being positive, suggesting there may be an empowerment aspect to all of this. Asked about this, Cox says: "This does open up all types of opportunities going forward for broader participation including the potential for black business."

Sasol is undoubtedly in a strong bargaining position with the oil companies. With Natref and Secunda, Sasol has a virtual monopoly on the supply of fuel to the inland market with the only competition coming from coastal refineries, which must pay 10c-11c/l to pump fuel from Durban to Johannesburg. And there is little danger of its position being threatened. With the low refining margins, building a new refinery is currently not economically worthwhile.

So, who will Sasol tie the knot with? One industry source repeats earlier speculation that Sasol may well link up with the largest domestic oil company, Engen, or its overseas parent, Petronas.

Engen's manager of strategic initiatives, Angus Quail, says he knows nothing about this and speculates that the next arrangement will be a "modified supply arrangement" between Sasol and the majority of the oil companies, in terms of which they will buy synfuel on condition that Sasol does not market it directly.

Another possibility would be some sort of tie-up with Total. Total has a 36% stake in Natref, with Sasol holding the balance of the shares. Total's public relations manager, Andries van der Walt, isn't making predictions, but says their shareholding in Natref means they are less dependent on buying synfuel from Sasol's Secunda plant.

On the crude oil side, Sasol will be looking to market its entire production. Cox says this is unlikely to be through its own network, but under agreement with existing oil companies. So, it seems likely that Sasol's synfuel and crude oil will go through the same oil companies.

Sasol expects to finalise a new arrangement within the next two years. There is a sense of urgency about this because Sasol needs to adapt its capex projects at Natref and Secunda to the demands of the new agreement. The company is budgeting to spend between R2bn-3,5bn at Secunda and R400m at Natref.

Whatever the outcome, Sasol's move demonstrates its belief in the SA fuel market, which is growing faster than GDP. It also shows the group is committed to moving out from behind the protective walls and smashing down walls that stand in the way of earnings growth. **Stuart Rutherford**

SA will not benefit from cheaper oil

For a quick buck, government — in true NP tradition — is likely to spurn the economic revival offered to the world, writes **Reinie Booysen**

NOT SO long ago Robert Horton, the head of British Petroleum (BP) — then regarded as an increasingly marginal oil major — famously predicted that the price of North Sea Brent crude oil would rise steadily to $25 a barrel through the 1990s A year or two later he lost his job unceremoniously, his deputy David (now Sir David) Simon took over the company, and BP's subsequent revival coincided with a very different corporate tack on the future of oil prices

BP's new world view was prescient It anticipated the awful truth which its bigger sisters in the industry have recently grasped, at first reluctantly, but now earnestly In well-appointed boardrooms around the globe, some of the world's most powerful business executives are searching hard for the smallest reason to believe in another oil price boom — without much success

Oil traders tend to have longer memories than elephants, and they know just how perilous it is to forget the fragility of the oil market However, as Brent starts to slip ominously below $10 a barrel towards the 1986 lows of under $9, even they must be shrugging with despair

The Organisation of Petroleum Exporting Countries (Opec), which gave the world the mother of all economic shocks with the 1970s oil embargo, is essentially impotent It has become so desperate that it has gone back to begging non-Opec oil exporters like Mexico and Russia to join in the effort to cut supplies

The 1986 price slump, and the sogginess that persisted for the rest of that decade, eventually produced what could be the last major oil war for a while Iraq versus Kuwait It was no contest when Iraq took Kuwait City in 1990, but the US — the world's Mr Plod — soon made it clear that it would have none of that After a messy intervention, what could have become a serious headache for the US, and the world economy, was sorted out — in a realpolitik sense, that is

Like it or not, US policy is clear, albeit not stated in these words If you want to invade a country, just make sure they do not export too much oil Civil insurrections are generally allowed to run their course They have never stopped oil flows from major oil exporting countries, as the new dictators are usually just as greedy as the last But invade a serious oil exporter, and you could be facing some ugly pieces of flying metal, mostly made in America.

So now, even without most of Iraq's large export potential (it is largely still under embargo), the world has quite enough oil This week's attacks on the country are unlikely to affect oil flows The only hope for the big Opec exporters like Saudi Arabia, Iran, Kuwait and Venezuela is that they will make their fractious cartel work for a change The only difficulty, as always, is getting the members to honour their words While they know that universal observation of export quotas would lead to stronger oil prices, they come from such different and, in many cases, volatile worlds that very few ever really allow domestic pressures for more revenue to be overshadowed by the cartel's common purpose and weal

The biggest difficulty is that initial success in quota observation inevitably sharpens the temptation to bust quotas, as higher oil prices offer the prospect of ever more juicy revenues, usually leading to another export boom and price implosion

In a nutshell, it is becoming clear that the world is in for persistently low oil prices

That is the scenario being sketched by analysts at oil company headquarters worldwide right now For some, the pain will be easier than for others Companies with big upstream operations (producing crude oil) are in for a tough time The huge pipes they have drilled kilometres into the earth to pump up oil will, in many cases, not pay for themselves

However, even the downstream (oil refining and distribution) will be hurt The lower the outright price of oil, in general, the thinner the total profit margin It also becomes very difficult to shift profits up and down the stream

So how are the international companies reacting?

Well, BP was also among trendsetters in the latest survival fad cut costs to the bone, incisively and brutally, by merging with another big player, shedding jobs, combining systems and outsourcing noncore processes BP did it first with Amoco, the US mini-major Then came Exxon's tango with Mobil, two very serious majors and both offshoots of the antitrust-driven Standard Oil breakup in the US earlier this century And the essentially francophone alliance of French heavyweight Total plus Belgian Petrofina. Others are in the wings

Royal Dutch Shell, a juggernaut that vied only with Exxon (before the latter merged with Mobil) for top spot in the oil business, has elected to maintain its aloof Anglo-Dutch ways by doing an in-house job It will take a $4,5bn restructuring write-down in the fourth quarter, and speed up its global transformation Costs will be cut by $2,5bn a year by 2001 That will include more than 4 000 job losses Capex will be shrunk by $5bn to $11bn a year Countries will be clustered into regions, and seek not only overhead savings but shared expertise Shell's boss, Mark Moody-Stuart, also has other big plans to enhance shareholder returns Against this world backdrop, it is intriguing to see what is being done to bring to South Africans the benefits of this energy utopia (green issues aside) in a word, the answer is, well, nothing

On the southern tip of Africa, many people are feeling stressed by the sheer scale and pace of change that has hit them this decade.

Not in the oil industry There, life is going on in much the same way as it always has Penuell Maduna, the energy minister, released his long-awaited white paper on energy yesterday, and it still needs to be digested, but do not expect fireworks

The white paper talks about things like deregulation and competition However, the reality is that there is a long road ahead for those motorists who legitimately hope to see petrol prices set by market forces, and not the host of arbitrary assumptions that the apartheid government passed on intact to its very different heir

And there has been a significant shift in policy from "timescale-driven" deregulation to an "event-driven" process

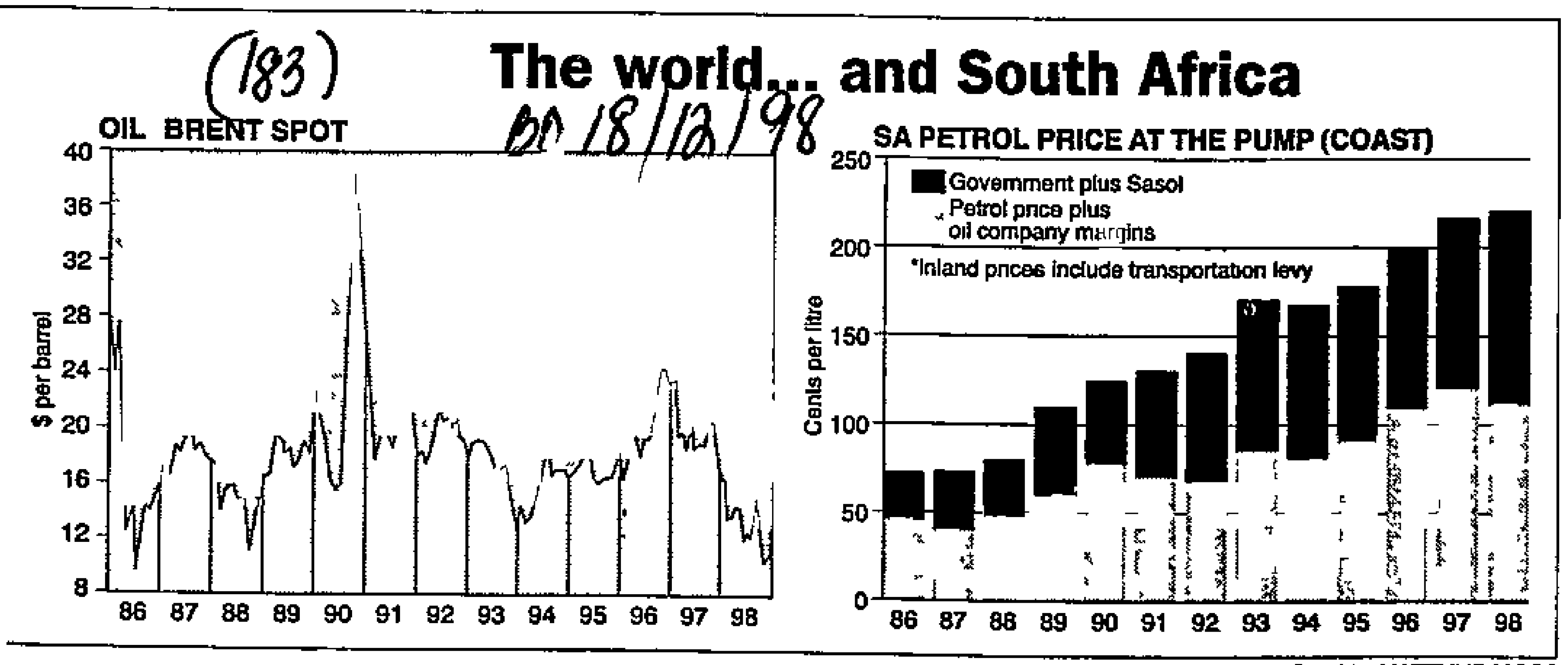
Among those events, judging by Maduna's utterances to date, is meaningful black empowerment involvement in the industry And one could hardly expect new black entrepreneurs to get a slice of the action just as it gets particularly nasty

Despite anything to the contrary in the white paper, the cosy comfort zone of the local oil industry will continue As the graphs illustrate, government has discovered that its control of petrol prices can be really useful It is a quick and easy way to grab a bit more of the citizens' money

And every time the international price dips a bit lower, it can expand Sasol's share of the spoils at the mere stroke of a pen, as it did a month or two ago The graphs also show that the weakening rand is only part of the story behind higher local petrol prices

The current international oil price slump could well turn out to be the single biggest factor behind an economic revival in most of the world on the brink of a new millennium — that is, except SA.

The world... and South Africa



Graphic. MATTHYS MOSS

Competition Board gets more time

Erwin grants extension for talks on Adcock Ingram's proposed acquisition of Pharmacare

(183)

Amanda Vermeulen

TRADE and Industry Minister Alec Erwin has granted the Competition Board's request to delay until January 31 next year final deliberations on the proposed acquisition of SA Druggists' Pharmacare division by Adcock Ingram

A spokesman for the board, Wouter Meyer, said yesterday that a final decision on the board's investigation — believed to be complete — had been delayed for "legal and technical reasons"

Life insurance group Fedsure has made a R2,6bn offer for 100% of SA Druggists, after which it proposes to sell Pharmacare to Adcock This transaction has been under investigation by the Competition Board since September

As a result of the postponement, Adcock and Fedsure have extended their agreement until May 1 Their original agreement would have expired on March 1 According to Fedsure, apart from the time extension there have been no other significant changes to the agreement between the two companies

Fedsure has already had to up its original R2,55bn or R33,50 a share offer to shareholders because of previous delays The increase of 60c a SAD share was offered to shareholders, representing the time value of money, Fedsure said at the time

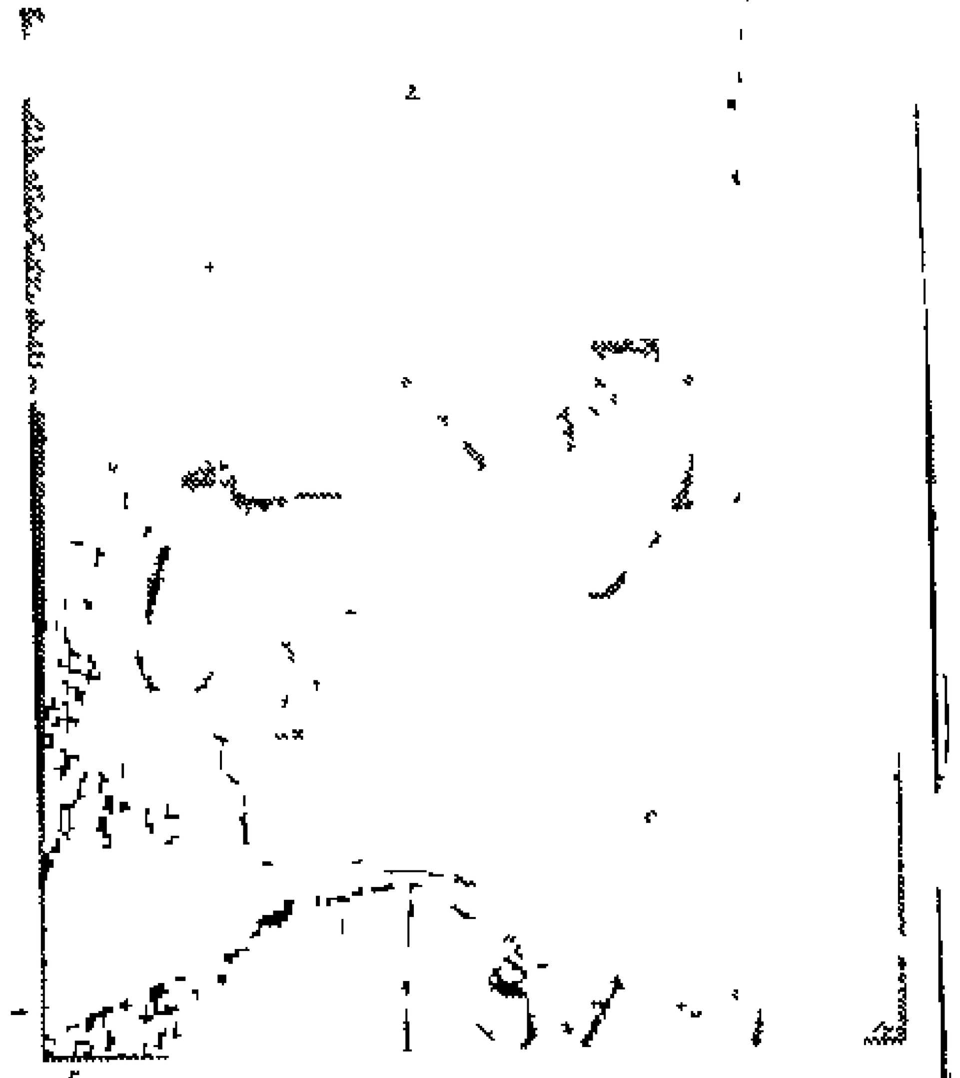
Last week US drug development company Argyll Scientific emerged as a possible rival for Fedsure, although at this stage no details are available about the Texan company's offer.

Argyll said late last week that it would make details of its bid for SAD known only if the Competition Board recommended against the Pharmacare-Adcock deal

Analysts have speculated that Argyll's presence could force Fedsure to up its offer again — a move which would go a long way to resolving differences between the SAD directors and the Fedsure appointees over the value of the Fedsure offer.

SAD directors have maintained that the Fedsure bid does not represent a fair and reasonable offer, based on indicative letters of interest in some of SAD's underlying companies from other interested parties

Although there have been a number of indications of interest in SAD or its underlying businesses, no real rivals to the Fedsure offer have yet materialised



Erwin... granted delay

BD 22/12/98

MANUFACTURING METAL PRODUCTS

1999

Numsa to act 'hard' over job losses

ET (PR) 11/1/99 (189)

Frank Nxumalo
Labour Editor

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) said yesterday it would "campaign hard" against further job losses expected this year because of government plans to deregulate the fuel industry and the rapid reduction of tariffs

Numsa also accused employers of "wooing workers to say goodbye to their jobs" by offering them voluntary separation packages

Last year 12 600 jobs were lost in the engineering sector alone, and more than 1 000 workers were retrenched in the motor manufacturing industry The two sectors constitute the bulk of Numsa membership

Numsa said "We have been saying that one of the reasons for job losses is the government's rapid reduction of tariffs

"The government had compounded the problem by reducing tariffs faster than required in terms of Gatt undertakings as contained in the Marrakesh agreement

"The tariffs have been slashed without clear supportive measures for local companies Numsa will campaign hard in 1999 to defend those jobs that are disappearing and to look at areas where new jobs can be created "

UP IN ARMS *A Fawu member from Standerton displays her solidarity at a union meeting yesterday aimed at raising support for a secondary strike* PHOTO JOHN WOODROOF

The union's national bargaining council, scheduled for April, would set up industrial restructuring teams (IRTs) made up of shop stewards and other union officials

The task of the IRTs would be to research the causes of job losses, examine problems with inputs, including raw materials like steel, and to develop policy for each of the Numsa sectors

The teams' recommendations would be discussed at regional and local levels before being tabled at sectoral jobs summits scheduled for the latter part of the year

Numsa said it would also continue its fight for wage increases, which exceeded the inflation rate, agency shop fees for non-unionised workers; and the control of Numsa sectors' massive employee benefit funds

The funds' values are estimated at R21 billion for the steel and engineering sector alone

Seifsa says struggling economy will spur retrenchments

Numsa fears of steel job cuts confirmed

CT(BR) 12/1/99 (189)

Frank Nxumalo
LABOUR EDITOR

Johannesburg — The Steel and Engineering Industry Federation of South Africa (Seifsa) yesterday confirmed National Union of Metalworkers of South Africa (Numsa) fears of further losses of jobs, especially permanent ones, this year

"Unfortunately employers are going to have to continue to retrench," Brian Angus, the executive director of Seifsa said

Numsa has accused the private sector of wooing workers to say goodbye to their jobs by offering them voluntary separation packages

However, Angus said the industry was a reflection of the difficult economic conditions in the country at present

He said 1 771 permanent workers had been retrenched in November last year, the highest figure for any month in 1998

Numsa said the total for the year in the sector was 12 600

Seifsa said although it shared Numsa's concern about the future of the industry as shown by a bargaining chamber main agreement to jointly explore a sectoral jobs summit in latter part of the year, any suggestions about a moratorium on retrenchment were simply unrealistic

The federation said its retrenchment procedures were extensively consultative, and companies should be able to reduce the size of their workforce according to economic conditions

Seifsa's views on retrenchments were shared by Toyota South Africa, which said it made no sense to forbid retrenchments as these were forced on employers by difficult economic circumstances

"You cannot legislate retrenchments away If a company does not have work, what can it do?," Harry Gazentam, Toyota human resources director, said

Gazentam said unless there was a dramatic downturn in the economy, Toyota did not foresee a reduction of its workforce this year

"We concluded our retrenchments last year," he said

He said about 650 employees of all races and employment levels had been retrenched at Toyota last year

Only VW South Africa was able to create about jobs in 1998 — about 800 — as retrenchments, wildcat strikes and closures characterised industrial relations within the remainder of the local car manufacturers and motor component sectors

US steel plate duty threatens projects

(189) BD 21/1/99

Duty on Columbus steel could set back IDC's plans

John Dludlu and Dave McKay

INDUSTRIAL mega-projects promoted by the Industrial Development Corporation in SA and neighbouring states could be jeopardised if a preliminary countervailing duty slapped by the US authorities on stainless steel plate exported by Columbus Stainless was confirmed, IDC CE Khaya Ngqula warned yesterday as the parastatal prepared its defence

Ngqula and senior executives will make a presentation to the US commerce department today in Washington as part of a bid to have the 2,14% countervailing duty on Columbus, the stainless steel manufacturer in which the IDC has a 33,3% stake, reversed

Although the countervailing measure, including an antidumping action, affected about 1% of Columbus turnover, Ngqula expressed concern that if the countervailing duty were confirmed other IDC-supported projects in and around SA could suffer the same fate

Gert Gouws, GM for finance at the IDC, said other Columbus exports to the US accounted for about 8% of its turnover

As part of the IDC defence, Ngqula said he would be presenting the corporation's financial results to support the IDC 's argument that the corporation only invested on projects that were "viable, sustainable and profitable"

He said the US action ran counter to the spirit of the Africa trade bill which sought to promote trade with African countries "We don't want special privileges, we want a right to trade", he said

The allegations from US authorities, which resulted in the imposition of the preliminary countervailing duty, are that Columbus is receiving unfair government subsidies The duty seeks to offset the unfair price advantage resulting from the alleged state subsidy

A preliminary determination by the commerce department discovered two countervailable support measures — namely, the support under Section 37E of the Income Tax as well as the Impofin structure, the IDC's financing facility

From the commerce department, the matter goes to the US International Trade Commission The commission will rule on whether the subsidies — if any are found — cause injury to US industry

So for a countervailing duty to be confirmed or made final, evidence of both existence of a subsidy and injury to US industry must be determined

Gouws said the IDC would argue the 37E scheme was not a targeted programme The fact that there were fewer beneficiaries from the scheme just reflected the economy in the early 1990s when SA was emerging from sanctions

He explained that the scheme hastened the tax benefits, as tax allowances for beneficiary projects kicked in at the date of expenditure as opposed to the date of commissioning of the project

Contrary to the US allegation, the tax scheme did not exclude the bulk of industries from benefiting Neither was it targeting metals and minerals projects

The IDC would also argue that Impofin, set up to arrange overseas credit lines, was operated on commercial terms

New entrant Saldanha Steel could now experience a baptism of fire The possibility that the plant's output is barred from the US market cannot be excluded

COMPAN

Pietermaritzburg aluminium producer completes core of expansion project

Hulamin's R2,4bn plan on a roll

(189) CT(BR)25/1/99

RAVIN MAHARAJ

Durban — The core of Hulett Aluminium's R2,4 billion expansion programme had been completed with the production of the first coil on the hot line scheduled, within budget, for next week, Peter Staude, the managing director, said last week

Hulett Aluminium (Hulamin) is the Pietermaritzburg-based aluminium producer which is part of Tongaat-Hulett, the diversified industrial group

Its expansion project comprises extensive redevelopment of the company's Edendale factory and the installation of a new hot rolling and recycling plant at Campsdrift

The new facilities will increase the rolled products' annual production capacity to more than 175 000 tons, from an initial capacity of 50 000 tons

Staude said 90 percent of the planned work on the expansion had been completed and more than R2 billion of the total capital expenditure had been committed

He said last week that another of the project's key mile stones had been achieved with the successful manufacture of the first test ingot in the remelt facility Quality ingots would be cast next week

Installed at a cost of R230 million, the remelt facility is used in semi-fabrication operations to recover and recycle the material that is scrapped as an integral part of the manufacturing process

Staude said the various stages of this recovery, melt and cast were all integrated this week with the commissioning of the melting and holding furnaces and automated cast equipment, resulting in the casting of four 1 200 alloy ingots

Staude said while these ingots were for test purposes only, the Camps Drift remelt would be casting production quality ingots as early as next week

The new remelt facilities would allow Hulamin to maximise the life cycle benefits of aluminium through the recycling of its own and customers' production scrap at conversion costs equal to the best in the world, Staude said

Hulamin's cold mill expansion came on stream in August last year Staude said the world record for a cold mill to reach full capacity utilisation was three years

Hulamin expected its entire project to reach this point within four years, by the end of 2002

SA one of six steel 'dumpers' cited in call for import tariffs

BD 25/11/99 (189)

Analysts say steel companies are partly to blame for the industry's problems, and that prices will continue to fall

LONDON — Steel producing areas pleaded with the British government last week to step up pressure on the European Union for tariffs on steel products they claim are being dumped on the UK market, strangling the local manufacturers

The Steelaction group, which represents 28 local authorities in steel producing areas, called for heavy duties on hot rolled coil and other steel products it said were "flooding into Britain and threatening British jobs"

Rotheram councillor Roger Stone, chairman of Steelaction, said Asian producers, in particular, were "sending their steel here and selling it at prices below what they charge in their own domestic markets"

The steel communities want British ministers to push for interim tariffs on imports when the European Commission produces a preliminary report on six steel dumping complaints brought by Eurofer, the European steel producers' association

The inquiry is into alleged dumping of hot rolled coil, used to make industrial products, by Bulgaria, India, SA, Taiwan and Yugoslavia Eurofer is planning further anti-dumping complaints against heavy plate and wire rod imports from countries including China, India and Turkey

Both steels are used in construction

Other countries are implementing or considering protectionist measures also as a result of the collapse of demand for steel in much of Asia, formerly one of the world's biggest importers of steel products

Taiwan and India have imposed tariffs The US has resisted pressure from domestic steel makers to impose controls, but a White House report earlier this month offered $300m in tax breaks to help beleaguered US companies stay in business

Sheffield-based steel consultancy Meps warned that demand and prices were likely to fall across the EU this year following a collapse in prices in the third quarter last year However, Meps said steel companies were in part to blame for the industry's problems because they kept up production and prices well into the second half of last year to maintain short-term profitability

"This crazy see-sawing in the market has to be eradicated," Meps said.

In the US, pressures are building in Congress for the introduction of tough new measures aimed at restricting steel imports Several Democratic lawmakers have taken up the cause and are leading the drive to offer more protection for the domestic industry

Fuelling the protectionist sentiment on Capitol Hill is the surge in foreign steel imports in the wake of the Asian financial crisis The influx of cheap imports has led to widespread job cuts and losses among US steel producers, campaigners contend At least two House Democrats are drafting legislation that would cut back steel imports to mid-1997 levels

Unhappy with President Bill Clinton's steel report, several Republicans are expected to join Democrats in calling for steps to curb steel shipments. Foreign steel imports are now estimated to account for roughly one-half of the US steel market

□ Lawyers for US steel makers urged the commerce department last week to rule that SA's Industrial Development Corporation's participation in Columbus Stainless represented a government subsidy — Financial Times

COLUMBUS STAINLESS (189)

STEELING FOR RECOVERY

FM 5/2/99

Transport costs a concern

Columbus Stainless, the troubled Middelburg-based, 600 000 t/year stainless steel joint venture between the Industrial Development Corp, Samancor and Highveld Steel, looks set for slightly fairer sailing in the year ahead

"Despite drastic falls in average export prices for a basket of our products — from US$1 800/t at the beginning of 1998 to $1 100/t at year-end — our loss for the year will be below that of 1997," says CE Dave Martin In 1997, Columbus lost about R342m Even if global prices remain low in 1999, Martin expects further bottom-line improvements This is because capacity utilisation of the plant's higher-value, cold-rolled product output is improving steadily after rising by 40% in 1998

All Columbus' stainless steel output is sold on a prenegotiated basis Total plant utilisation increased by about 10% in 1998

"Though global markets should remain low until at least the end of the year, some price increases are being negotiated in the US, Far East and European markets," Martin says He expects prices to increase 1%-2% in 1999, but also worries about a drop

"Hopefully, prices have bottomed out The key areas remain the US and European markets, with a Far East recovery also a vague possibility," says Martin He hopes Columbus will achieve full output capacity by the end of 2000 — from current plant utilisation of about 70%-80% — which would make it one of the world's lowest-cost stainless steel producers, excluding transport costs

So far, he says, there seems to be "little or no cost benefit from the upgraded Maputo Corridor rail link "

Fortunately, local market demand — especially for stainless steel containers and automotive catalytic converters for export — has grown strongly **Arnold van Huyssteen**

Iscor restructures management board

CT (BR) 10/2/99 (189)

ROY COKAYNE

Pretoria — Iscor, the integrated minerals group, had restructured its executive management board after a recent strategic review to focus on the company's core businesses, Hans Smith, the executive chairman, said yesterday

"We have refocused our strategic intent on a few carefully selected commodities and reconfirmed our intention to divest of non-core activities," Smith said

Phaldie Kalam, Iscor's group general manager for corporate affairs, said the new suite of products Iscor would focus on included steel and particularly the growth of flat products, coal, iron ore, titanium, zinc and copper

The divestment from non core activities would take place over the next five years However, Kalam declined to name the non-core activities to be divested from because they were the subject of negotiations with some potential buyers

But Iscor had already indicated it would be disposing of its refractory business, and expressed confidence it would achieve this within the current financial year

Smith said the refinement of Iscor's product suite, the divestment of non-core assets and the re engineering processes under way would "release substantial value to our shareholders"

An estimate of the value release programmes undertaken by Iscor on the mining and steel activities was R2 billion

"A new management structure has now been put in place to facilitate the efficient implementation of our new drive," Smith said

Con Fauconnier, an executive director of Iscor, was recently appointed managing director of the mining division The new business activities in the division have been centralised at group level

Richard Wadley has been appointed group general manager for new business He would report directly to Smith

Apart from Smith, Fauconnier, Wadley and Kalam, other members of Iscor's executive management board include Malcolm Macdonald, the executive director of finance, Awie Greyling, the group general manager legal, Neels Howatt, the group general manager for human resources, Fred Clarke, the group general manager for finance, Louis van Niekerk, the managing director of Iscor Steel, Wimpie de Klerk, the group general manager strategy, and Jac van der Walt, the group general manager for information technology

Iscor traded 1c higher on the JSE yesterday at R1,12

Iscor to take full control of Zincor for R245m cash

ET(BR) 10/2/99 (189)

JONATHAN ROSENTHAL

Johannesburg — Iscor, the steel producer and mining group, has completed its overdue due diligence investigation of Zinc Corporation (Zincor) and is to take full control of the zinc producer for R245 million in cash

Iscor said yesterday it would acquire the combined 65 percent shareholdings of Gold Fields of South Africa, New Wits and Vogels

Hans Smith, Iscor's executive chairman, said the acquisition was in line with its strategy of developing its business into six core commodity groups The other groups are steel, copper, iron ore, coal and titanium

"As one of the major zinc producers in southern Africa and recognised as being one of the world's lowest-cost producers, the acquisition represents a strategic opportunity to build a solid platform for Iscor to rapidly grow its zinc competitiveness both domestically and internationally," Smith said

Iscor already produces zinc at its Rosh Pinah mine in Namibia

Iscor was selected as the buyer of Zincor in a competitive bidding process last year Other bids included a management buy-out while Billiton, the London-listed commodities group, was also reportedly considering a bid

Analysts said although the operation was a low-cost producer, its growth prospects were limited

Metal employers and unions agree on wage talks principles

BD 12/2/99 (189)

Reneé Grawitzky

A POLICY forum intended to devise plans for the development of the metal and engineering industry has finally been established as part of an agreement reached between employers and unions last year

At the same time, metal employers and unions have agreed on principles to guide this year's round of wage negotiations which begins in April The principles could see the parties adopting a new approach to collective bargaining which could include a longer term agreement instead of the standard one-year arrangement

The deal is part of the wage agreement concluded between the National Union of Metalworkers of SA and the Steel Engineering Industries Federation of SA (Seifsa) last year

Seifsa's executive director Brian Angus said yesterday the parties had agreed to hold a pre-negotiations conference to consider broader economic issues and developments within the industry

Agreement had also been reached to hold fewer negotiating meetings so that wage negotiations are concluded by the end of May

STEEL *Lowest prices in decades and a sluggish economy produce 'unhappy' performance'*

Iscor's earnings plunge 23%

ET (BR) 12/2/99 (189)

ROY COKAYNE

DOWN IN THE DUMPS *(from left) Hans Smith, Iscor's executive chairman, Con Fauconnier, the executive director and managing director of Iscor Mining, and Louis van Niekerk, the executive director and managing director of Iscor Steel*

PHOTO: [illegible]

Pretoria — Iscor, the integrated steel producer and mining group, yesterday announced a 23 percent slump in net operating income to R371 million for the six months to December last year compared with R480 million in the corresponding six months in 1997

Headline earnings per share dropped 40 percent from 12,1c to 7,3c

Malcolm Macdonald, the financial director, said it was "an unhappy financial performance" in a difficult trading environment

Hans Smith, the executive chairman, said the downturn in the steel market was worse than projected and Iscor had not lived up to its profits of six months ago

He said steel prices, the lowest in decades, and the sluggish domestic economy had had a negative impact on the company's steel division, which experienced a sharp drop in profits

"The actions initiated to mitigate this could not be implemented rapidly enough to prevent a major deterioration in net operating income

"The mining division, by contrast, posted excellent results despite lower production volumes

"Had Iscor not started the cost-cutting exercise and re-engineering four years ago, it would be a worse situation today," Smith said

He said the process to restructure Iscor was continuing Merchant bankers had been appointed for the separate listing of the mining and steel divisions

He stressed Iscor was not going to "pull the trigger" when it was experiencing the lowest steel prices in 30 years

He said the group's shareholders had asked the company to unbundle to unlock the value in the company, which would involve either taking the steel or mining divisions out of Iscor

In the six months to end-December last year, Iscor's net financing cost increased from R60 million to R156 million

Smith said this followed the sharp rise in interest rates and higher level of net debt resulting from investment expenditure during the previous period

Louis van Niekerk, the managing director, said lower demand and destocking in the division had resulted in a decrease in domestic sales volumes, which was partially offset by increased exports

This resulted in total steel sales volumes decreasing by 9 percent, while operating income declined from R250 million to a loss of R26 million

Smith said both the international commodity markets and domestic economy were expected to remain depressed during the remainder of the financial year

ISCOR

FM 19/2/99

THE STEEL BALL AND CHAIN

Latest results show projections taking a pounding and there's worse to come (189)

Iscor's grim interims make it clear why mining division CE Ben Alberts took early retirement in December after a bust-up over strategy with chairman Hans Smith

The booming mining division is being reined in and the exploration arm is to be hived off to generate the cash needed to support the steel division

It's also clear there's no way Iscor can split into two separate, listed corporations — a mining arm and a steel arm — as was suggested at the end of the past financial year as a way of improving shareholder value

Who in their right minds would buy into a focused steel company at this stage of the market? Management says operating losses will be worse than originally expected at its new Saldanha Steel plant in the year to June 2000

"We have undertaken to shareholders to carry out a proper study on the proposal to split the group and we will complete it," says Smith "But I do not think this is the correct time to list a steel company"

Iscor's woes make it more vulnerable than ever to takeover

The share price is now 105c, it was 118c last August when the takeover speculation first circulated on the grounds that Iscor's market cap, then around R3bn, was a fraction of its assets

"I am aware a number of the resource majors have been looking at Iscor as a possible takeover target, but it may not be as easy to do as it looks," says Smith "There are the issues of the Industrial Development Corp shareholding and the attitude of the Competition Board to be considered"

Boiled down to the basics, Iscor's results for the six months to end-December were hammered by a collapse in the steel market that was far worse then Iscor management had expected

Mining's contribution to net operating income jumped 54% to R443m (previous comparable six months R287m) while steel's collapsed to a R26m loss from a profit of R250m previously

This was not expected last August when Iscor reported glowingly on the turnaround at its restructured steel operations and Smith predicted "further improvements" on the headline earnings of 28,4c/share for the year to June

Instead, interim earnings have collapsed 40% to 7,3c/share (12,1c) and Smith now expects worse to come in the second half The pain will continue into the 2000 financial year because capitalisation of costs at Saldanha will end on July 1, meaning Iscor will have to pick up its share of the expected initial losses

Investec analyst Hennie Vermeulen predicts earnings for the current year to June could be as low as 10c and says the share could weaken further to around 90c — at which point he reckons it's a buy

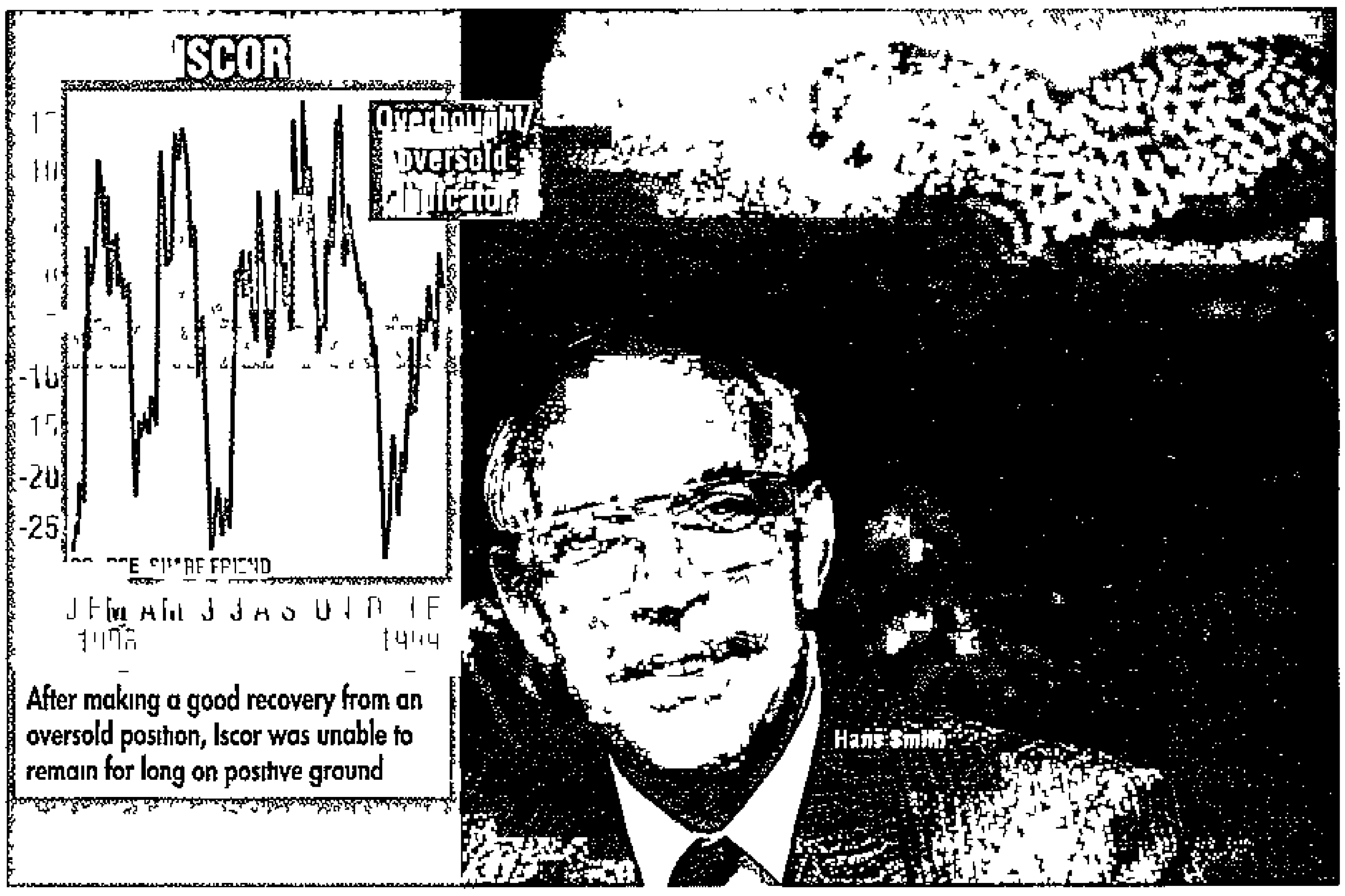
All this has undermined Iscor management's previously positive outlook on its balance sheet and reinforced the long-standing worries of analysts about the company's ability to finance its various projects

Net debt was supposed to be capped at R1bn last June but has now reached R1,4bn

Return on equity has dropped to 4,8% (8,4%) and financing costs cover has fallen to 2,5 times (8,2 times)

Smith has ordered "drastic" cuts on capital expenditure and rigid cash flow management He is also looking to raise R1bn-R1,5bn from the disposal of noncore assets over the next year

What must have stuck in Albert's craw is Smith's decision to freeze exploration expenditure and the attitude that Iscor's exploration and prospecting portfolio is noncore "We have enough on our plates to keep the mining division going for the next five years," says Smith "In addition, we have a massive portfolio of good-looking projects



After making a good recovery from an oversold position, Iscor was unable to remain for long on positive ground

"Exploration is not our core business and we need to extract value from that portfolio in the same way that we sold our noncore IT division last year to Advanced Software Technologies

"So, we can either sell the exploration interests or we can package them into a listed mining exploration company Either way, we would look to keep an interest in them through some kind of investment funding option in any projects that are subsequently developed"

The trouble with this proposal is that current stock market conditions for the listing of a new mining exploration company are even worse than those for the listing of a focused steel company

Iscor's share price has not reacted to these results — obviously the market got wind of what was coming The share went from 118c in August to 160c in October before collapsing to 103c in December

That makes it no less distressing for fund managers who believed in the rosy outlook Iscor management presented just six months ago

Brendan Ryan

CGF finds labour, environment problematic

Ethical fund refuses to buy Iscor shares

ET (MR) 3/3/99 (189)

ANN CROTTY

Johannesburg — The Community Growth Fund, the union-controlled investment fund that invests only in socially responsible companies, has decided not to invest in Iscor because of environmental problems, its poor industrial relations and weak commitment to affirmative action and training

It took the decision following a Labour Research Service review of the steel company's operations over a number of months The report gave Iscor 48 percent, equivalent to a C ranking, too low for inclusion in the fund

The service found appalling relations with the main union, the National Union of Metalworkers of South Africa (Numsa), doubts about the quality and effectiveness of affirmative action policy, allegations of tokenism in affirmative action, an ineffectual retraining programme, environmental problems, and the redeployment of white managers as consultants at higher cost

On the positive side, the report pointed to a reduction in injury and fatalities, full-time shop stewards where there were none three years ago, and improved conditions of employment

"The rationalisation programme undertaken since the firm was privatised has reduced employment at Iscor from 55 000 in 1993 to about 36 000 currently

"It is likely that more jobs will be lost In fact, indications are that at Vanderbijlpark 6 000 more workers are to lose their jobs if management has its way," it said

"Industrial relations have recently been strained by the dispute over the secret awarding of bonuses to management Numsa states that the relationship between management and itself are always strained "

It also disputed much of an official Iscor fact sheet, including the point that Iscor subscribes to all laws and regulations governing environmental issues

Neels Howatt, Iscor's group general manager for human resources, said the fund's view on Iscor's labour relations was "at best superficial as it hardly has all the true facts at its disposal"

A fund spokesman said that if it had not discovered "the true facts" it had not been for want of trying He said Iscor's statement on the environment was at odds with a court case based on allegations that Iscor had knowingly polluted the water in the Vanderbijlpark area for 20 years

He said a questionnaire had been sent to Iscor management almost three months before the final assessment A further list of questions was sent to Hans Smith, the chief executive, in early February

"In both instances," he said, "we were told the correspondence had been passed on to the relevant individuals, but we never received any answers; we could not extend the process indefinitely"

The report was based on management interviews, plant visits and published reports

□ Business Watch, Page 2

(189)

Numsa pins its wage hopes on speedy talks

FRANK NXUMALO CT(BR)10/3/99

LABOUR EDITOR

Johannesburg — The engineering sector of the National Union of Metalworkers of South Africa (Numsa), its biggest sector, will this year thrash out issues at a pre-bargaining council or bosberaad with industry employers in an effort to have more focused bargaining rounds than in previous years

The bosberaad, which kicks off today, will identify the core issues for main agreement negotiations

Trade unions and employers are expected to submit their demands, offers and other agreed issues of negotiations to the bargaining council by March 29

Elias Monage, Numsa's engineering sector co-ordinator, said the union did not want costly and prolonged talks The number of main agreements or bargaining chamber negotiation rounds would be strictly limited to two

Monage said Numsa would declare a dispute and serve a 'Labour Relations Act section 77 notice if there was no settlement by the end of the second round

He said experience had shown that employers did not feel the need to compromise in the early rounds and that real bargaining never took place until the fifth, or final, round of negotiations

David Carsons, the industrial relations manager of the Steel and Engineering Federation of South Africa, said the employers' federation was positive about this year's negotiations as a lot of good work had already been done in terms of restructuring the bargaining council and "how we are going to approach the main agreement"

Monage said central to Numsa's approach would be the bargaining method, whether, for example, to go for a long term — up to three years — main agreement using the consumer price index as a starting base, with improvement factors tailored around it

In this regard his sector could draw on the experience of colleagues in the car sector last year, he said

NUMSA ACCUSES ERICSSON OF RACISM AS 'WHITES WON'T WORK FOR A BLACK'

Johannesburg — The National Union of Metalworkers of South Africa (Numsa) accused Ericsson, the cellphone company, of racism yesterday, saying management had sided with white employees who would not report to a new black manager

Elias Monage, Numsa's engineering sector co-ordinator, said the company had arranged for the employees to report to a white manager He said no union action had yet been taken, but "we won't accept this kind of practice in 1999"

Sipho Sithole, Ericsson's human resources director, said the matter had not been referred to him but he had spoken to the leader of the employees' group This leader, also a manager, had denied the allegations and threatened to sue the company for branding him a racist.

Sithole said he would investigate further — Frank Nxumalo

(189) CT (BR) 10/3/99

'Duties vital to revival of nuts and bolts'

(189) BD 10/3/99

SA manufacturers of nuts and bolts argue they need to be protected from free trade in an open market, writes **Sibonelo Radebe**

GOVERNMENT slapped provisional import duties last month on nuts and bolts manufactured in Australia, China and Taiwan, following warnings by local manufacturers that they faced going out of business because of the dumping practices of these countries

The provisional duties, which are to last until August, exclude imports from Malaysia, although the country was included in the countries accused of dumping

"Dumping of cheap imported products was one of the main causes of massive job losses and a decline in production volumes seen by the local nuts and bolts industry in recent years," says David Macgillivray, chairman of manufacturing company CDC, which was one of the major local companies at the forefront of the antidumping campaign

After a preliminary investigation, the board on tariffs and trade responded with provisional duties

A source in the trade and industry department said the decision to put in place provisional duties showed the concern of the local manufacturers was genuine The board took an informed decision in line with the rules and regulations of the World Trade Organisation, said the source

It would use the period of the provisional duty to investigate the matter further and give all stakeholders, including importers, an opportunity to make representations

The board would then make recommendations to the trade and industry minister on whether or not a longer-term antidumping measure beyond August would be necessary

With the provisional duties in place, China is liable for import duties of a 40% average on most of its steel bolts entering SA Australia has to pay about 135% duty on its nuts and Taiwan about 20%

Macgillivray said the imposition of duties was essential to the revival of the local nuts and bolts manufacturing industry However, he questioned the board's decision to leave Malaysian products outside the net, saying products from Malaysia were no different from those of the other three countries

The industry was not against free trade, but wanted to ensure fair competition for local manufacturers who had to compete with products which were 25% cheaper

A source in the industry said the price differentiation was due mainly to the fact that manufacturers from these countries obtained steel at a far cheaper price than local manufacturers "The Asian crisis has caused a surplus capacity and subsequently a dramatic fall in the steel price "

The president of the SA Fasteners' Manufacturing Association, Sonwabile Ndamase, said government should not follow the idea of free trade blindly

Delay said to be 'prejudicing the project'

CEF asks for Mossgas loan guarantees

CT(BR) 18/3/99 (189)

LYNDA LOXTON
PARLIAMENTARY CORRESPONDENT

Cape Town — Keith Kunene, the chairman of the Central Energy Fund (CEF), yesterday appealed to parliament to help the CEF get loan guarantees from the finance department for $300 million in foreign loans needed to extend the lifespan of Mossgas, the oil from gas producer

Kunene, briefing the portfolio committee on minerals and energy on developments at CEF over the last year, said the delay in getting the guarantees was "prejudicing the project"

Drilling, which was supposed to start this month, might be delayed by lack of finance

Cabinet last year approved plans to develop Mossgas' EM gas field off Mossel Bay Dave Day, the chief executive of Mossgas, confirmed yesterday that about half of the R2 billion price tag had already been spent

But drilling, which was supposed to start this month, might be delayed because of the failure of the finance department to provide the necessary government guarantees

Kunene hinted that this could be a disaster for Mossgas, and Day said that although the CEF could fund the whole project itself, this would leave it penniless and unable to fund projects by either Mossgas or Soekor, the state-owned oil exploration company

Kunene said the Strategic Fuel Fund (SFF) had changed its business focus from oil trading to international oil storage This had made it commercially profitable, and it would become a taxable entity in April this year

The possibility of merging SFF and Soekor was now being considered Several key SFF staff had been moved to Soekor headquarters in Cape Town

Soekor attracted more than R200 million in investment through the sub-leasing of concession blocks off South Africa's coastline Negotiations were now in hand for another two sub-leases, despite the low oil price

On the equalisation fund, which CEF administers for the department of minerals and energy, Kunene said it was now in debt A decision would soon have to be made on whether to raise fuel levies to keep the fund afloat

Enerkom, a CEF subsidiary, was involved in several promising pharmaceutical trials for drugs to treat aids and cancer A joint venture partner could be sought There were also plans to dispose of Syncat, the catalyst company

ISCOR

New world order finally catches up with a relic

ET (MR) 19/3/99 (189)

From Bloomberg

In the days of apartheid, Iscor made most of the steel sold in South Africa, and its state owned mills were monuments to a nation exiled from the global economy

Coddled by government subsidies, sheltered from cheap imports and blocked from selling abroad, Iscor grew into the largest steelmaker in Africa without having to worry about profits

All that changed in 1994 when democratic elections formally ended apartheid and the world threw open its doors As people of all races prepare to vote again this June, Iscor looms as a casualty of the post apartheid era

The damage includes a 56 percent slide in Iscor stock since 1994, against a 20 percent rise in the JSE all share index in the same period.

Executive chairman Hans Smith is trying to sell fringe businesses and avert losses, but even he says his company may fall prey to a takeover Shares rallied this month on hope a suitor will emerge sooner rather than later.

"(Iscor) is almost a sitting duck," says George Grohmann, an analyst at Rice Rinaldi Securities

The decline of Iscor is a study in how some executives fail to adapt to a global market and the price their shareholders and employees pay for that mistake.

Profits fell 39 percent in last year's second half Some analysts say the company may be headed for the first loss since it went public in 1989

Iscor's large number of shareholders might deter potential bidders such as UK based Rio Tinto The company will struggle to turn itself around

The company's sales of R13,1 billion last year make it about one-third the size of USX US Steel. It plans to fire 6 000 of the 14 000 workers at its largest mill this year It could even break itself in half, unshackling its profitable mining business from its money-losing mills

To be fair, Iscor isn't the only steel maker suffering The industry was hurt by a 43 percent fall in steel prices during the first 11 months of last year

Iscor no longer receives handouts from a government vilified for its racism And like many South African companies, it has tried to recruit black executives, though with little success

Yet in some ways it remains a throw-back to the apartheid years, carrying baggage its foreign rivals never had to deal with

Like Sasol, which makes synthetic fuels, Iscor grew in part to create jobs for the white working class At its peak in the early 1980s, it employed 70 000

Both companies were designed to guarantee an economically isolated South Africa had access to basic materials Profits took a back seat.

Founded by parliament in 1928, Iscor was cut loose from the government in a stock sale in 1989, 10 years after Sasol.

"They inherited a lot of fat," says Troye Brady, an analyst at Absa Securities Iscor was making more steel than South Africa needed, but executives were slow to cut jobs Profit fell 45 per cent in 1992 and 50 percent in 1993

Mandela's election in 1994 freed Iscor to sell its steel overseas It rushed to export, hoping to capitalise on its relatively cheap labour and the iron from its own mines

Still unwilling to cut jobs or plants, it also converted its money-losing carbon steel mill in Pretoria to make stainless-steel slabs It was a risky move. Demand for these semi-finished products tends to rise and fall more sharply than the overall demand for steel

"Iscor came roaring out of South Africa, exporting a massive amount of steel," says Mark Horn, an analyst at T Hoare in London Management thought it had a growth business, when what they really had was a mature company that needed to be pruned, he says

By 1997, the export drive was in full flight Then, one by one, Thailand, South Korea and Indonesia plunged into recession. Demand for steel collapsed in east Asia.

Iscor tried to redirect its sales to the US and Europe, with mixed results The European Union and the US have threatened to impose punitive tariffs on South African steel, most of which comes from Iscor, to combat what they say are below-cost prices

As steel prices continued to slide through 1997, Iscor knuckled under and shut the Pretoria stainless mill The misreading of the market had cost Iscor more than R1 billion Last year, it shut a smaller stainless steel plant in Durban

"It was a bad marketing decision," Kelly Redman, an analyst at SG Frankel Pollak, says of the foray into stainless.

The pain didn't end there. By 1998, Asia's financial turmoil reached South Africa Benchmark interest rates soared to a record 25 percent as investors fled emerging markets

Iscor is struggling to pay interest on the money it borrowed to pay for a 50 percent stake in the R8 billion Saldanha Steel mill. The high rates have also driven the economy into its first recession in six years.

"We could have managed the steel prices, but the high interest rates are a real strangler," says Smith.

Where does Iscor go from here? It plans to make the cuts it should have made years ago. The strategy is bound to draw fire from unions, which could easily disrupt production with strikes

Iscor says it is undaunted In 12 months' time, Smith says, the company will have cut its workforce from 56 000 in 1993 to 30 000 Over the same period, the company plans to sell up to R1,5 billion of property and other assets

If it still can't pull itself together, Africa's largest steelmaker may become a takeover target. A foreign company might be especially interested in the company's iron ore operations, which Smith calls the "jewel in the crown"

Judging by Iscor's stock, investors are betting the company may find a suitor. The share rose as much as 41 percent this month. At R1,45 a share, it has a market value of R3 billion Rio Tinto and Australia's Broken Hill are possible buyers, analysts say, though neither has shown any interest. For all this, many analysts and investors say the changes are too little, too late.

"If they had done four or five years ago what they are doing now, they would be a very different company," says Adam Ebrahim, the managing director of Oasis Asset Management. "I would grade management's strategy well below average."

Smith, who presided over the ill-timed export drive, accepts the barbs "That's fair criticism," he says, adding that Iscor could have adapted a lot faster His challenge is to take the painful steps he has avoided for so long — before someone else does it for him.

Foreigners own 60% of Iscor

CT (BR) 30/3/99 (189)

Roy Cokayne

Pretoria — More than 60 percent of Iscor, the steel company, was now controlled by foreigners, Hans Smith, the executive chairman of Iscor, said yesterday

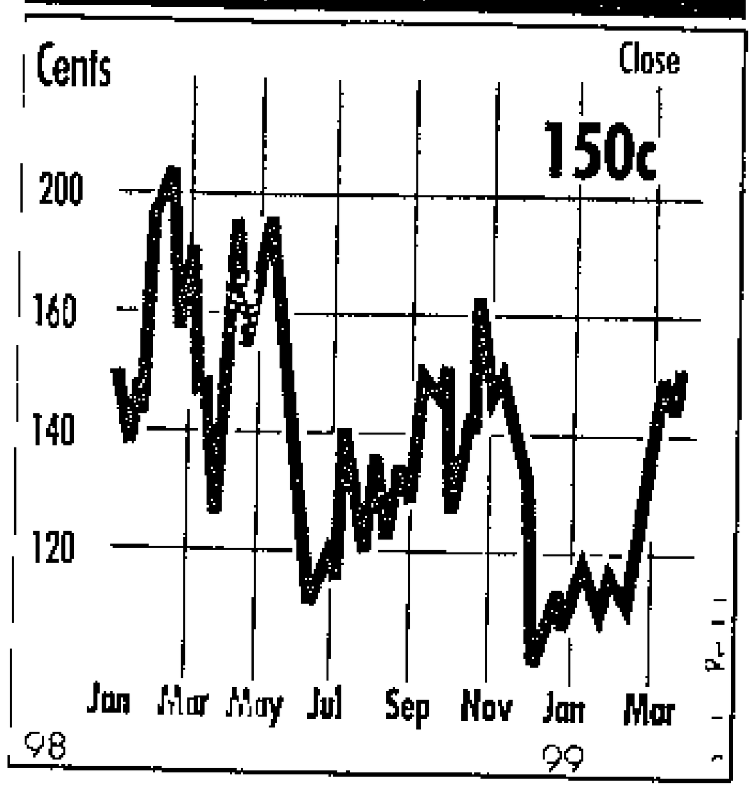
Smith said the high level of trading in the company's shares had led to the price rising about 40 percent in the past two months from 100c to about 150c

The appreciation in the shares had fuelled speculation of a takeover bid, but Iscor had not received any formal approaches and Smith doubted whether the takeover speculation was "very real"

Four years ago, at privatisation, Iscor had no foreign investors among its 230 000 share holders But foreigners now numbered more than half of its top 15 shareholders, controlling more than 50 percent

Smith believed that foreign investors were taking a longer-term view on the commodities cycle and were not allowing their investment decisions to be influenced by short-term fluctuations in the market

Iscor



He also believed that the vast funds available to foreign fund managers enabled them to invest a small percentage of their funds in Iscor without it negatively affecting the investment performance of the fund

This was not true for local fund managers, who had more limited funds available for investment and whose performance was evaluated every month or quarter

But Smith said there was a downside because foreign investors would watch the implementation of Iscor's strategy carefully

"There is no loyalty If they do not like the strategy, they will sell and you will get the reverse of what has happened now"

Smith said a lot of progress had been made with Iscor's strategy to dispose of non-core assets to reduce its R1,4 billion net debt Negotiations were "on the way" on every single one of the items mentioned for disposal

Smith expressed confidence that Iscor would be in a position to realise 80 percent of the value of these assets by the end of December this year

He said it was not difficult to sell these assets but Iscor also had to extract value for the company's shareholders

Smith said Iscor could simply have outsourced its information technology but had taken a risk with a 38 percent shareholding in Advanced Software Technology, which had listed and was now worth R650 million

US antidumpers target SA steel firms

(189)

Simon Barber

WASHINGTON — SA steel makers were expected to be hit with another US antidumping suit by mid-April, this one targeting structural beams, industry sources said

The suit was being prepared against SA, South Korea, Japan, Spain and the UK by US producers Nucor, TXI Chaparral and Northwestern Steel & Wire, they said

Highveld Steel & Vanadium, whose steel plate has already been knocked out of the US market by antidumping action, is the major SA exporter of the subject products, I- and H-section beams

SA's exports to the US of both products rose from $14,3m in 1997 to $23,5m last year, when they accounted for just 3,7% of US imports, according to the US International Trade Commission trade data base

That is just higher than the 3% "de minimis" threshhold, below which exporters are safe from antidumping suits By contrast, Japan, South Korea, Spain and the UK accounted for 37%, 19,3%, 13,6% and 7,4% of US imports respectively

Most of the petitioners in the expected case are themselves importers of steel from the target countries If Highveld can persuade the commerce department or trade commission to subtract the volume of product it sold petitioning companies from the total volume of its US exports of structural steel, it may able to dodge the bullet by falling below the "de minimis" level

Much also depends on the "period of investigation" selected by the petitioners — the period in which they allege the dumping occurred — and the basis on which duties should be assessed If they select calendar 1998, Highveld could be in trouble If they select the year to March 31, it may be in better shape, since its structural steel exports were steeply lower in January

On the negative side, the commerce department is taking no prisoners in evaluating steel antidumping and countervailing duty suits in a bid to persuade Congress that current law provides domestic producers adequate protection and should not be made more protectionist

Meanwhile, there is mixed news for Iscor The threat of US producers filing antidumping suits against its cold-rolled steel seems to be over, but its seamless tube is still at risk One US importer said as SA exported most of its steel, its producers would be wise to reduce domestic prices

BD 1/4/99

Union maps out new strategies

(189)

Sowetan 12/4/99

By Mzwakhe Hlangani
Labour Reporter

THE National Union of Metalworkers of South Africa has mapped out defensive bargaining strategies in preparation for the new millennium

This was said by Numsa president Mr Mtutuzeli Tom at the weekend He also warned of a bleak economic outlook coupled with anticipated retrenchments in the auto and metal industries

Tom said in the past year a total of 11 922 jobs were lost in the engineering sector and 6 600 jobs in the auto component setter, while the auto assembly shed 3 100 jobs and the tyre industry lost 143 jobs

"It is clear we are in for a rough ride this year as the economy grew by 0,1 percent and private sector investment was stagnant, with an increase in the number of closures and bankruptcies," he told the unions bargaining conference in Johannesburg

The demands, such as the tightening of retrenchment procedures, rehiring policies and the establishment of work security funds in all sectors made by Numsa regions, were informed by the realities of the difficult times, he said

Other core demands to be pursued include long-term agreements ranging from two to three years in the motor and engineering, auto, tyre and rubber sectors A guaranteed inflation rate increase on actual wage pay and closing the apartheid wage gaps will form the main focus of the wage negotiations

Tom also said Government intervention in support of the industries was imperative to ensure workers were not thrown out on the streets without security

With the establishment of the long-awaited industrial restructuring teams, which will research problems in the auto, energy, defence, basic metals, telecommunications and other industries, innovative and defensive strategies were indispensable as they were not a call "for less militancy", but were meant to enhance job retention, he added

Transformation of the bargaining councils will be the focal point of this year's bargaining with the union pushing for broader transformative campaigns

The union would also formulate policy on controlling industry benefits and would ensure that it occupied half the seats in the board of trustees in respect of industry funds

Other resolutions taken at the conference included a call for the extension of collective agreements to cover non-parties in the former TBVC states The union would collect data about companies in the former homelands and table the demands for its inclusion in the main agreements

Numsa to meet Erwin over jobs

189

By Mzwakhe Hlangani
Labour Reporter

THE National Union of Metalworkers of South Africa (Numsa) will meet Department of Trade and Industry Minister Mr Alec Erwin next week in a bid to ensure proactive measures are taken by the Government to curb the growth of unemployment and protect local industries

Acting general secretary Peter Dantjie said Numsa would inform Erwin about its weekend resolutions on the Government's rationalisation programme for the motor industry to ensure competitiveness and job creation The union is vociferous about the need for a strategy showing a bias towards a new economic domestic orientation aimed at developing skills and a plan to deal with the job-shedding crisis in the industry More than 23 000 workers have been retrenched in the engineering sector

Dantjie said the bargaining council also resolved at the weekend to negotiate with employers' associations in the tyre, motor component and engineering sectors about the establishment of a work security fund to help retrain those affected by retrenchment

Sowetan 13/4/99

Numsa says 1999 grim for jobs (189)

CT (BR) 13/4/99

FRANK NXUMALO

LABOUR EDITOR

Johannesburg – The National Union of Metalworkers of South Africa (Numsa) was in for a rough time on the collective bargaining front as 1999 looked like yet another year for job losses, Peter Dantjie, the acting general secretary, said yesterday

Last year the union lost thousands of members in all its sectors to massive retrenchments It expected much the same this year if recessionary conditions did not improve

Job losses took place despite the Presidential Jobs Summit agreements entered into by labour, business and government last year

Dantjie said it was time Numsa fought back to defend "workers' jobs and the declining living standards"

"Grim government predictions are that in 1999 the economy would grow by 0,9 percent, and investment in machines, factory plants (and) infrastructure would decline by 2,3 percent

"Last year alone the engineering sector shed 12 600 jobs and this year 2 300 workers had been retrenched In the automobile assembly sector 4 600 workers were retrenched since 1995 and sometime last year 1 000 were dismissed A further 2 500 workers are expected to lose their jobs this year

"In the motor sector 3 214 workers have been flushed down over the past two years," Dantjie said

The key focus of negotiations would fall on narrowing the apartheid wage gap between employee grades, phasing in three-year agreements, limiting negotiations to two rounds only and wage increases pegged to the inflation rate plus a differentiated improvement factor of not less than 2 percent

EU trade deal 'good news' for SA electronics

(189) (BR) CT 16/4/99

RENÉE BONORCHIS

Johannesburg – The European Union (EU) Trade Agreement would have a positive impact on the South African consumer electronics market owing to the 12-year process of phasing out import duties and tariffs, the local Consumer Electronics Association (CEA) said yesterday

Alan Coward, the CEA chairman, said the agreement would affect 95 percent of imported goods and 85 percent of exported goods

"The prices of brown goods, such as televisions and stereos, and white goods, being the likes of kitchen appliances, will drop, boosting demand locally and growing the size of the entire market," Coward said

He expected the prices of consumer products to decrease by up to 15 percent in dollar terms, with savings passed on to consumers The local manufacturing industry, however, would have to gear up to compete globally

Coward said there were opportunities for local producers and exporters since the European market would drop duties and tariffs only within three years He said this should also boost foreign investment in South Africa since international companies could set up operations here without the associated export costs

Of course, the grey market importers and exporters would also benefit from the dropping of duties and tariffs "Our customs authorities will need some support," Coward said.

"We still have illegal importing of grey products into South Africa, and there is work to be done here."

Deal reached on 40-hour week

THE National Union of Metalworkers of SA said yesterday it had reached an agreement with employers on a 40-hour working week (189)

Numsa spokesman Dumisa Ntuli said the agreement with the Steel and Engineering Industry Federation of SA (Seifsa) followed first-round talks between the two parties He said that in terms of the agreement, working hours would be reduced to 40 over a period of four years, starting this year

However, this would be subject to a subcommittee finalising such issues as flexible working hours and the closing of the apartheid wage gap

Ntuli said the 271 000 Numsa members had been working up to 80 hours a week and would benefit from the new agreement The union hoped companies would play their role in ensuring the agreement was implemented —Sapa

BD 19/4/99

40-hour working week might still thwart metal industry talks

BD 20/4/99 (189)

Reneé Grawitzky

THE introduction of a 40-hour working week in the metal industry may still be the subject of protracted negotiations as the parties are yet to agree on whether the decrease in hours will be accompanied by a corresponding reduction in wages

The National Union of Metalworkers of SA (Numsa) and the Steel Engineering Industry Federation of SA have agreed in principle to a phased-in introduction of a 40-hour week over four years

However, this is subject to an agreement on whether this will be with or without loss of pay Parties will also have to agree on a range of flexible working time options

On wages, employers have offered 5% while Numsa has demanded an inflation increase plus a 4% improvement factor

Meanwhile, after four months of talks the same issue is yet to be finalised by employers and eight unions in the security industry

The Basic Conditions of Employment Act provides that the security industry reduces its working week from 60 to 55 hours by December Employers have proposed to increase the wage offer from 7,5% to 9%

Footwear industry expects demand slump to continue

Bolton's earnings halve through illegal imports

CT (BR) 30/4/99 (137)

Ravin Maharaj

Durban – Blunted consumer demand and the continued flood of illegal imports eroded earnings a share at Bolton Footwear, the Western Cape-based footwear manufacturer, for the year to February 28, Bolton said yesterday

Earnings were down 21,5c for the period from 43,3c in the previous year Attributable income halved to R4,30 million, down from R8,6 million

Analysts said the footwear sector would continue to slump To survive, local manufacturers would have to embrace the industry's footwear plan to create unique market niches in a climate dictated by European fashion trends.

Marthus Louw, the managing director, said the reduction in earnings could be attributed to a fall in income from the Regional Industrial Development Programme, which decreased by 9c a share

Louw said the weakening exchange rate had increased unrecovered input costs by 8,5c a share Strikes in the footwear industry had also hurt earnings

Turnover was R248,9 million, down from R264,5 million the previous year A final dividend of 4c was declared, down from 9c

Louw said the company remained ungeared with cash balances of R8,3 million The main reason for the negative cash flow of R4,9 million was the increased capital investment in safety footwear, in which the company was the market leader

He said Bolton would continue to invest in safety footwear and to sell to larger industrial companies Bolton closed unchanged at 70c on the JSE yesterday

Provinces drive engineers into the ground

PAYMENT DEFAULT

By DON ROBERTSON

THE consulting engineering profession is in crisis following the cutback in expenditure by central government and provincial authorities and the slow payment of fees by these departments

Pieter Conradie, president of the SA Association of Consulting Engineers (SAACE) says the recent publication of budget figures by seven provinces shows that planned capital expenditure has fallen to new lows

In the past, government contracts among members of the association represented 70% of their workload This has now fallen to 50%, while business from the private sector has been drastically reduced because of the economic climate

The decline in activity has forced some members to insist that employees take all their leave now as there is no work available, while others are working a three-day week In addition, association members claim they are owed R130-million by government departments, of which R86-million has been outstanding for more than 60 days In August last year, the outstanding amount was R90-million of which R60-million was 60 days in arrears

"This indicates an upward spiral in the trend of slow payment by the government — an alarming situation VAT regulations force our members to become bankers as they await payments In some cases, members have had to take out loans at high interest rates to meet VAT payments," says Conradie

Graham Pirie, executive director of the SAACE, says that in terms of its budget announcement, KwaZulu-Natal has frozen all expenditure on capital projects for the year, while five other provinces have allocated less than 4% to capital works This is in spite of central government's guideline to provinces to spend 85% on social matters and 15% on the rest

Freezing or limiting expenditure on capital projects will lead to hardships in the building and construction industries and will result in job losses while valuable investment in plant and manpower will be lost

"Taxpayers are entitled to see a return on their money in terms of improved infrastructure and the proper maintenance of existing assets The reported budget situation depicts a scenario where entire budgets of some provincial departments go into salaries of civil servants, with nothing left for the creation or maintenance of infrastructural assets This is unacceptable," says Pirie

"Where such a situation arises, we believe that the central government has to step in, since such provinces are showing they are unable to balance the urgent need for services against the need for fiscal prudence"

The SAACE plans to encourage a stronger partnership with government, create a more open association by inviting architects and quantity surveyors to join, open a school of engineering and equip members with global marketing skills

(189) ST 2/5/99

Mining, metal and retail wage talks move into top gear

The election is not expected to affect the outcome, but other issues could emerge after June 2, writes **Reneé Grawitzky**

AS THE bus strike ended this week, wage negotiations moved into top gear in several major sectors of the economy

Labour consultants said yesterday that the election would not affect the overall outcome of wage negotiations except for possibly delaying their finalisation "Workers are not going to reduce or increase their expectations by any significant degree in the vast majority of companies because of the election," a consultant said

It was generally felt that wage talks had started later than usual This, sources said, could be a manifestation either of union apathy due to job losses or being too involved in electioneering They anticipated that a spate of disputes could materialise after the election

The deal struck between bus companies and transport unions at the weekend is the only significant settlement to emerge so far this year During the strike, management offered 7% while the unions demanded a 10% increase Parties agreed on an 8,5% increase with the referral of a number of contentious issues such as working hours to binding arbitration

The wage dispute in the security industry remains unresolved after five months of talks and numerous meetings held under the auspices of the Commission for Conciliation Mediation and Arbitration (CCMA) The issues giving rise to the dispute centred on an assurance from employers that a reduction in working hours would not lead to a corresponding reduction in wages

Employers were not prepared to agree to this in principle, but have instead increased their wage offer from 7,5% to 9%

The Basic Conditions of Employment Act provides that the security industry reduce its working week from 60 hours to 55 hours beginning in December this year

The mining industry will also be required to reduce its weekly working hours from 54 to 45 from December

Wage talks between the Chamber of Mines and the National Union of Mineworkers begin next week The union has called for a 25% increase, a minimum wage between R1 500 and R2 000 and other demands

Negotiations between the union and De Beers are expected to start later this week

Wage negotiations in the metal industry are set to continue next week Employers have offered 5% while unions, including the National Union of Metalworkers of SA, have demanded an inflation increase plus 4% It is understood that consideration will be given to a two-year wage deal in the metal industry this year

Labour consultants warned that longer-term wage agreements appeared to be the route that many sectors were considering However, this route might not be appropriate for employers in sectors such as retail, which has recently faced a spate of mergers and company restructuring

The SA Commercial Catering and Allied Workers' Union is in talks with retailers such as Pick 'n Pay, Shoprite-Checkers and Game-Dion The union is demanding a minimum increase of R200 across the board

It achieved this increase in a two-year settlement with Morkels

(189) (~~[illegible]~~) (~~[illegible]~~) BD 5/5/99

US commission blames foreigners for plant closure

Report ignores evidence of overcapacity and large inventories, writes Simon Barber

BD 18/5/1999 (181)

WASHINGTON — The US international trade commission has blamed Columbus Stainless and other foreign steel manufacturers for the closure of a Baltimore steelworks through unfair competition, even though this is denied by the plant's owner, Sweden's Avesta Sheffield

"We are not persuaded that (Avesta) would have abandoned a facility in which it had so recently made substantial investments had it not been for the adverse pricing conditions in the US market," the commission said in confirming crippling new duties on stainless steel plate from SA, Canada, Belgium, Italy, Korea and Taiwan

The duties were assessed last month by the commerce department in response to pleas for protection by four US companies and their unions which claimed that dumped and subsidised imports from the five countries were harming business

The department found in favour of the petitioners in all cases It imposed a 41,6% anti-dumping duty on Columbus plate, calculating that to be the difference what the Middelburg steelmaker charged customers at home and the lower prices it was offering US customers

A 3,9% countervailing duty was assessed on top to offset the so-called section 37E tax allowance that Columbus, the only SA producer of the targeted product, had received in 1993 and which the department deemed to be an export subsidy

It was then up the trade commission to decide whether imports from SA and the others were causing "material injury" to US firms Not unexpectedly, the six-member panel, mostly appointed by US President Bill Clinton, has found for the home team, putting the commerce department's duty calculations into effect

The commission's 30-page ruling, released this week, shows a determined effort to ignore evidence that the injuries to those seeking protection were self-inflicted

One of the standards for judging whether dumped or subsidised imports are hurting a domestic industry is that the domestic industry must be prevented by "unfair" price competition from making needed capital investments to keep their facilities competitive

In this instance, the commission itself admits, "the value of the domestic producers' fixed assets rose over the entire period (in which they alleged they were being injured) with the completion of ongoing capital improvement projects"

The injury, according to the commission, arises from the fact that "new capital expenditures" — that is, on top of the "ongoing projects" — declined The theory presented here is that a company is harmed if price competition prevents it from expanding faster than it had already budgeted to expand

Nor is it clear why the US stainless plate industry was so bent on the expansion it did plan In 1995 it owned more than 80% of the growing US market, while operating at 40% capacity Today it has the same share at 50% capacity, it is employing much the same number of production workers at the same $20-an-hour wage, and productivity is up

True, the price of and margins on stainless have fallen, but so, with the weakness of commodities generally, has the price of inputs like iron, nickel and molybdenum That has nothing to do with "unfairly" traded imports and everything to do with an imbalance between supply and demand that US companies did not count on

This point is firmly avoided by the protectionist commission, which also turns a blind eye the to the fact the some of the companies seeking protection from imports have been buying stainless steel from Columbus and others — when their own mills were working at less than half capacity even before the Asian meltdown and its knock-on effects

The commission also says that in 1997, target imports undersold the US competition "41,5% of the time" If Columbus and company were seriously dumping and benefiting from subsidies they could surely have done better than that

One commissioner, Carol Crawford, offered a quiet dissent that exposed the cant of the commission as a whole Crawford pointed out that with their existing overcapacity and large inventories the domestics would have difficulty sustaining a price increase even with Columbus and the others out of the picture The foreigners, in other words, could not be blamed for low prices

Crawford still joined her colleagues in finding injury, arguing that without the "unfair competition", the domestics would have generated greater revenues, the foregoing of which to subsidised dumpers could be construed as a harm

Happily, the trade statistics show that the protection-seeking companies were their own worst enemies last year

After they filed their petitions with the commerce department last March, imports of stainless plate from the targeted countries surged in advance of expected duties, swelling US importers' inventories to 68% of domestic companies shipments in the first three quarters That overhang had the delicious effect of depressing the whiners' prices still further

Amplats begins talks about fund

Reneé Grawitzky and Reuter BD 19/5/99 (189)

ANGLO American Platinum Mines (Amplats) has begun talks with the National Union of Mineworkers (NUM) and the Mouthpeace Workers' Union on the future structuring of the Amplats provident fund

The discussions will focus on ensuring that the trustees of the fund include representation from all the relevant trade unions

Recent amendments to the Pension Funds Act have placed additional duties on trustees of every pension and provident fund in determining who are the beneficiaries of an individual workers' fund

Mineworkers, angry over a perceived loss of control of their fund, are demanding to be paid out

However, legally the money cannot be removed while an employee is still with the company

Their anger exploded last week when senior NUM officials called a meeting to explain the changes to workers at the West Driefontein mine

Selby Mayise, the NUM's senior representative in the gold-producing region of Carletonville, was addressing about 2 000 miners when a small group surged forward, swinging clubs at the union leaders

Mayise was beaten and stabbed and later died in hospital Four other union officials were taken to hospital

SA newspapers have speculated that the attack was spurred by political motives as the NUM is viewed as being aligned with the ruling African National Congress, while the United Workers' Union of SA (Uwusa) is linked to the Zulu-based Inkatha Freedom Party

Uwusa, whose members rallied at the mines on Monday, said yesterday it would refer the pension issue to the statutory Commission for Conciliation, Mediation and Arbitration where it could be heard next month

The Chamber of Mines, which represents most of the country's gold and coal companies, is planning an information campaign to help explain the fund changes to the mineworkers

In the meantime, the Amplats funds' trustees have agreed to distribute the proceeds of a "special reserve" to individual accounts of the members of the fund

Amplats said it would encourage members to have these additional amounts transferred into their accounts rather than taking them as cash payouts

In view of the numerous strikes initiated by the Mouthpeace union to demand the payment of provident fund contributions, it is unlikely that many of its members will heed that call

TRADE *SA gazettes preliminary duties to ward off dumping*

CT 19/5/99

Duties imposed on cable from India

ROY COKAYNE

Pretoria – Preliminary anti-dumping duties of between 27 and 65 percent had been imposed on paper-insulated, lead-covered, medium-voltage cable manufactured in India and exported to South Africa, Bill Sharp, a divisional commercial director of Aberdare Power Cables, said yesterday

"Most of the imported cable is sold to municipalities on annual contracts at a fixed price

"The implication is that this cable could now be more expensive and would ultimately impact on rate payers, who are already under pressure," Sharp said

The imposition of the preliminary anti-dumping duties was confirmed by notices published in the Government Gazette

Their imposition follows a petition submitted by Aberdare to the Board on Tariffs and Trade (BTT) last August alleging that cable from India was being dumped on the Southern African Customs Union (Sacu) market and harming or threatening to harm industry in the customs union

A further petition by Aberdare alleged the export of the cable from India was being subsidised by the Indian government and was causing harm, or the threat of harm, to industries in Sacu countries

A further petition alleged the exports were subsidised by the Indian government

This was based on an exemption from taxation on the export profits of the two companies, Universal Cables and Cable Corporation of India

These petitions were supported by African Cables, a Reunert subsidiary and the only other domestic manufacturer of the cable

Sharp said a 27 percent preliminary anti-dumping duty was imposed on Cable Corporation of India, a 27,5 percent duty on Universal Cables and a 65 percent duty on any Indian company exporting paper-insulated, lead-covered, medium-voltage cable to South Africa

He said this was to prevent a front company in India being set up and exporting the cable to South Africa

Sharp said a 26-week period was allowed for the two Indian companies to appeal against the imposition of the duties and for Aberdare to appeal against the level of the duties imposed

He said the duties would thereafter be imposed for a three- or five-year period, depending on the decision of the BTT

Sharp said further anti-dumping petitions had been lodged against Germany, Korea, Bahrain and India

Aberdare had submitted the petitions because dumping was illegal and these Indian cable companies were taking a large portion of the local market and depressing local prices and "we'd have to have started laying off people"

The companies were taking a large portion of the local market and depressing local prices

He said the local market for this cable was worth about R620 million annually, which if it was all manufactured locally would require two factories employing about 2 500 people each

He emphasised that the petitions submitted to the BTT were about the dumping of this cable on the local market, supporting local jobs and local industry, and not about protecting an inefficient industry

Sharp said the cable consisted of conductors made from either copper or aluminium, the prices of which were set internationally on the London Metal Exchange This meant the price would be similar no matter where it was manufactured

Sharp said another implication of the imposition of the preliminary duties was that these suppliers could renege on their contracts, which could delay the completion of contracts

(189)

Billiton bars Erwin from its plant

(189) (~~???~~) ET (BR) 19/5/99

JONATHAN ROSENTHAL
COMMODITIES EDITOR

Johannesburg – Billiton, the London-listed resources group, refused this week to allow Alec Erwin, the trade and industry minister, to visit its Hillside aluminium plant and address employees there, saying the visit appeared to be tainted by electioneering and would have disrupted production

The National Union of Metal Workers of South Africa (Numsa) said Erwin was due to speak at the plant yesterday But last Tuesday the company wrote to Numsa saying it could not grant the union's request that it allow the meeting to go ahead

Erwin's office said last night his schedule did not include any meetings with workers at any plant and the company could therefore not have denied him permission to speak

Mahomed Seedat, the general manager of Hillside, one of the world's lowest-cost aluminium smelters, said although the company had an extremely good relationship with Erwin, it felt a visit would be inopportune at this time

'TOO POLITICAL' *Alec Erwin, the trade and industry minister*

Numsa said it was outraged by the company's decision and the move would strain labour relations at the plant

Dumisa Ntuli, a Numsa spokesman, said "The failure of the company to allow our leader to communicate with their workers diminishes their status and dignity as a respectable company

"It is now obvious that the company has ulterior motives to destroy the union We are warning the company to refrain from sabotaging progressive activities of workers because the situation will boomerang "

Seedat said permission was not granted because the plant was a continuous operation, which meant employees could not all leave to attend the meeting, and because it could be seen as supporting a particular party in the upcoming elections

Ntuli said the purpose of the meeting was for Erwin to brief union members on the state of the economy "The company has refused to brief workers on the state of the industry It was then decided to invite the minister"

Co

Ferrochrome furnace to be shut down 'in the interest of the market'

Samancor cuts output to boost falling steel prices

(189)

ANTONY SGUAZZIN

Johannesburg – Samancor, one of the world's largest makers of an alloy used in stainless steel, plans to cut output by 15 percent in a bid to boost prices that declined more than 25 percent in the past year

Samancor, a venture between Billiton and Anglo American, plans to shut a ferrochrome furnace in the next three weeks and another soon afterwards

The furnaces would not reopen until prices improved, said Kobus van Dyk, the general manager of Samancor's chrome division

"We believe it is in the interest of the market to idle the furnaces," van Dyk said "Between 40 percent and half of producers are selling below cost "

Samancor and others are about to start negotiations that will determine ferrochrome prices in the third quarter Prices are unchanged in the second quarter from the first quarter, after declining for three consecutive quarters as steelmakers cut costs to battle falling steel prices

Analysts and producers expect that ferrochrome companies will be able to push up the price by as much as 5c a pound

The second-quarter benchmark supply contract price was 37c a pound in Japan 34c a pound in Europe and slightly less in the US, said Alastair Stalker, the head of ferrochrome sales for Assore, which markets the output of Associated Manganese Mines of South Africa, the ferrochrome producer

Production cuts in South Africa and Kazakhstan had balanced demand and supply since the second half of 1998, when ferrochrome production was exceeding demand at a rate of 270 000 metric tons a year, said Fidelis Madavo, a commodities analyst at Investec Securities

Samancor vies with South Africa-based Chromecorp Holdings, a unit of Switzerland's Xstrata, for the title of top ferrochrome producer

The two companies supply 50 percent of world demand, each having an annual capacity of about 1 million metric tons

Ferrochrome is used to make stainless steel stronger and rust resistant – Bloomberg

Seifsa warns new laws could kill jobs

BD 24/5/99 (189)

Patrick Wadula

THE Steel and Engineering Industries Federation of SA (Seifsa) says that SA is pricing itself out of the global market

Seifsa president Bill Cooper also warned that policies and laws could hurt business and jobs if they were not implemented gradually

Cooper said trade policies, labour legislation and trade union actions were raising business costs, causing job losses and threatening the entire manufacturing sector, at a time when SA should be doing everything possible to create jobs

Cooper pointed to major developments such as the rapid trade deregulation, high interest rates, the new Labour Relations Act, and the rising costs of labour

"The net effect is that we are pricing ourselves out of the global market," he said This was leading to a continuous loss of business and jobs throughout the economy

Cooper said government had been "de-protecting" the SA economy much faster than even the World Trade Organisation The economy had to gear itself up for global competition, but there was a timeframe within which this could be done

"We have to stop de-protecting faster than the productive base can change," said Cooper

Customs and excise controls also needed to be drastically tightened so that the remaining duty structures were not nullified by inefficiency and graft

"Grey imports into this country are unbelievable," he said "We have become the biggest free trade area in the world "

The objectives of the recent labour legislation were totally admirable However, in an economy bordering on recession it could achieve the exact opposite of what the legislators intended — the collapse of more businesses and significantly higher unemployment

Capital intensive companies would ride out the storm, but faced with rapidly rising labour costs, SA's more labour-intensive businesses were becoming uncompetitive and would shed jobs faster

A company could spend a year or 18 months nurturing an international customer The first time it failed to deliver on time, the export business would be lost because there were many manufacturers around the world with whom to do business

"If we want to succeed in the global market then we have to develop a competitive work ethic, because SA does not have anything unique or different to offer," said Cooper

Numsa and merger companies in row

(189) (~~189~~)

By Mzwakhe Hlangani
Labour Reporter

THE multinational Crown Cork and local company Nampak, the major manufacturing companies whose merger deal has been rejected by trade unions, are again locked in bitter rows with employees after reducing wages and lowering the negotiated working conditions

National Union of Metalworkers of SA (Numsa) spokesman Mr Osborne Galeni charged that Crown Cork was reneging on the conditions of employment stipulated in the charter of US-based company by reducing wage rates from R18 an hour to R12 an hour

Nampak group human resources manager Mr Sipho Ngidi confirmed the dispute, but said it was not necessary to debate the problems in the media

The union was puzzled by the "worsening of the conditions of employment", Galeni said He accused Crown Cork of manipulating a clause of the collective agreement with the intention of undermining it

Crown Cork has proposed that the matter related to interpretation of the agreement and should be referred to expedited arbitration process at the Commission for Conciliation, Mediation and Arbitration

"We strongly believe Crown Cork was bent on reversing the fundamental changes that have taken place and erode the hard won rights in the past few years This will be met with equal resoluteness from workers," Galeni said

Sowetan 25/5/99

Metalworkers plan to strike at Delta today

(189)

Port Elizabeth – More than 3 500 members of the National Union of Metalworkers of SA will go on strike at Delta Motor Corporation's Port Elizabeth plant today because of a disagreement over the company's restructuring process

Numsa spokesman Dumisa Ntuli said 350 workers were put up in a labour pool and had not been relocated to the new Struandale plant because the company said they did not have the skills required to perform work there

Delta said the issue of manpower use and the deployment of employees was governed by a collective agreement entered into between the union and the car manufacturers – Sapa

ARG 26/5/99

Numsa suspends strike against steel producers

(189)

ROY COKAYNE

Pretoria – The National Union of Metalworkers of South Africa (Numsa) said yesterday it had suspended its proposed industrial action at Ferrometals and Columbus Stainless, the joint venture between Highveld Steel, Samancor and the Industrial Development Corporation, following a meeting with the management of the companies

Wilhelm Prinsloo, the general manager human resources at Columbus, confirmed that the threat of strike action had been withdrawn after management and Numsa had agreed to refer allegations of unfair practices to arbitration

"We feel that it is extremely irresponsible of Numsa to threaten industrial action with total disregard for the Labour Relations Act and the financial position of Columbus," he said

Columbus Stainless, South Africa's only stainless steel producer, had made a loss of R323 million in 1998 and was projecting another loss in 1999

On Monday Numsa said over 2 500 workers intended to embark on industrial action following the refusal by Ferrometals and Columbus Stainless to address racism, their failure to prepare for the implementation of the Employment Equity Act and the announced intention to close the furnaces divisions

Stephen Nhlapho, Numsa's national sector co ordinator for light engineering, said yesterday that an independent commission would look at issues such as racism and the different treatment in disciplinary hearings of white and black workers

A spokesman for Samancor, the owner of the Ferrometals plant and a joint venture partner in Columbus Stainless, said that two furnaces would be closed for maintenance but no retrenchments were foreseen

Iscor sheds refractories business (189)

CT (BR) 27/5/99

ROY COKAYNE

Pretoria – Iscor, the integrated minerals group, had reached an agreement with Hernic Industrial Group, the privately owned ferrochrome producer, for the sale of its refractories business for more than R100 million, Hans Smith, the executive chairman of Iscor, said yesterday

Smith said the agreement with Hernic was effective from June 1 and included the participation of Premier Refractories, the international refractories producer, as a technical partner to the new company, Hernic-Premier Refractories

Smith said the sale was part of Iscor's strategy to divest its non-core assets

This strategy is also linked to a plan by Iscor to reduce its R1,4 billion net debt Last month, Smith expressed confidence Iscor would realise 80 percent of the value of the group's non-core assets by the end of December this year

Smith said yesterday the group expected to realise about R1 billion before the end of this calendar year from assets identified as non core

Iscor recently announced it had raised R361 million from the sale of property It expected further divestments of its property portfolio to raise an additional R300 million during the next three years Smith said the sale of non-core assets would allow Iscor to focus on a primary suite of products, identified as core business

Herman van Rooyen, the managing director of Hernic, said Hernic was producing 260 000 tons of ferrochrome a year, which made it the third largest producer in the world

Numsa declares wage deadlock (189) with steel makers

CT (MR) 1/6/99

ROY COKAYNE

Pretoria – The National Union of Metalworkers of South Africa (Numsa) had declared a dispute with Columbus Stainless, the joint venture between Highveld Steel, Samancor and the Industrial Development Corporation, and Highveld Steel, Dumisa Ntuli, a spokesman for the union, said yesterday.

This move came after the last round of annual wage negotiations between Numsa and the two companies ended in a stalemate at the weekend. Ntuli said the parties would now refer the dispute to a conciliation meeting under the auspices of the Metal Bargaining Council.

"If the impasse is not resolved, then workers can embark on strike action. The deadlock is over substantive issues which include wages," he said.

Ntuli said Columbus Stainless had offered a 6 percent increase in wages and told workers it was compulsory for them to report for work tomorrow, the day of the general election.

He said Highveld Steel had failed to budge on key Numsa demands and had offered "a meagre wage offer of 8,5 percent on minimums".

Numsa demanded that all wage increases be pegged to the inflation rate, plus a differentiated improvement factor of not less than 2 percent.

US steel firms launch bid to block SA imports

BD 3/6/99 (189)

Simon Barber

WASHINGTON — US steel companies launched a bid yesterday to clamp down on "unfairly traded" imports of cold-rolled steel from SA and 11 other countries, threatening Iscor with a further loss of sales to the US

In a long anticipated move, eight US firms and the United Steelworkers of America joined in asking for a minimum 17% antidumping duty to be imposed on Iscor's cold-rolled carbon-steel flat products, which accounted for about 12% of SA's iron and steel exports to the US last year

SA's share of total US imports of the targeted product is small — 4,3% in the 12 months to February — but more than the 3% "de minimis" threshold for exemption from antidumping suits

Iscor's hot-rolled steel plate has in effect already been driven from the US market as a result of antidumping action in 1997

Last month the US international trade commission confirmed punitive duties on stainless steel plate in coil made by Columbus Stainless

Iscor has been forced to scale back production at its Vanderbijlpark works, where it makes its flat products

Other countries named in the latest case are Russia, Japan, Brazil, China, Taiwan, Indonesia, Argentina, Slovakia, Thailand, Turkey and Venezuela

Petitioners include Bethlehem Steel and USX

SA exported 143 000 tons of the subject product to the US in the 12 months to February, according to industry sources

US Commerce department data show US imports of SA cold-rolled steel rising from $43m in 1997 to $56m last year

The 17% duty sought by the petitioners represents the difference they calculate between Iscor's price to US customers and the high price it charges at home The duty is the smallest requested against any of the target producers

The US producers said imports from the 12 countries captured 13,7% of the US market last year, up from 6,5% in 1996, while average prices fell from $466 a ton in 1996 to $362 a ton in the first quarter of this year The petitioners claimed they posted an operating loss of $10 a ton in the first quarter, compared with an $18 a ton profit in the corresponding period last year

Last month the US international trade commission blamed Columbus Stainless and other foreign steel manufacturers for the closure of a Baltimore steelworks because of unfair competition, even though this was denied by the plant's owner, Sweden's Avesta Sheffield

Crippling new duties on stainless steel plate from SA, Canada, Belgium, Italy, Korea and Taiwan were assessed by the commerce department in response to pleas for protection by four US companies and their unions, which claimed that dumped and subsidised imports from the five countries were harming business

The department found in favour of the petitioners in all cases and imposed a 41,6% antidumping duty on Columbus plate, calculating that as the difference between what the Middelburg steelmaker charged customers at home and the lower prices it was offering US customers A 3,9% countervailing duty was assessed on top of that to offset the so-called section 37E tax allowance that Columbus, the only SA producer of the targeted product, received in 1993 and which the department deemed to be an export subsidy

COMPANIES & MARKETS

Things are looking better for steel industry

BD 9/6/99 (189)

Recovery expected later this year with strong growth next year

Ilja Graulich and Dermott White

THE short- to medium-term outlook for the SA steel industry appears to be better now than it has been since the Asian economic crisis began last year

However, several analysts say the big recovery will come only in the fourth quarter of this year, with strong growth during the whole of next year

An improvement in SA's gross domestic product (GDP) this year, as interest rates come down and the Asian economies start to rebuild, should also start filtering through

Nic Dinham of BoE Securities said the two big factors for the global steel industry at present were Europe and the US

"Although a recovery in Asia will benefit the local steel industry, the European economy is looking sluggish at the moment Steel demand there is OK now but the lack of growth in those economies could reduce future demand "

He said continued growth in the US economy was an important factor also for global supply

Kelly Redman, steel industry analyst with SG Frankel Pollak, has a similar view "We are starting to see a recovery in Asia and expect to see the SA economy begin to accelerate in the second half of this year This will benefit the steel industry domestically " However, the recovery in the economy will be gradual, not as sharp as in 1994, so the outlook for steel this year is mixed with the possibility of a sustained recovery next year and into 2001," she said

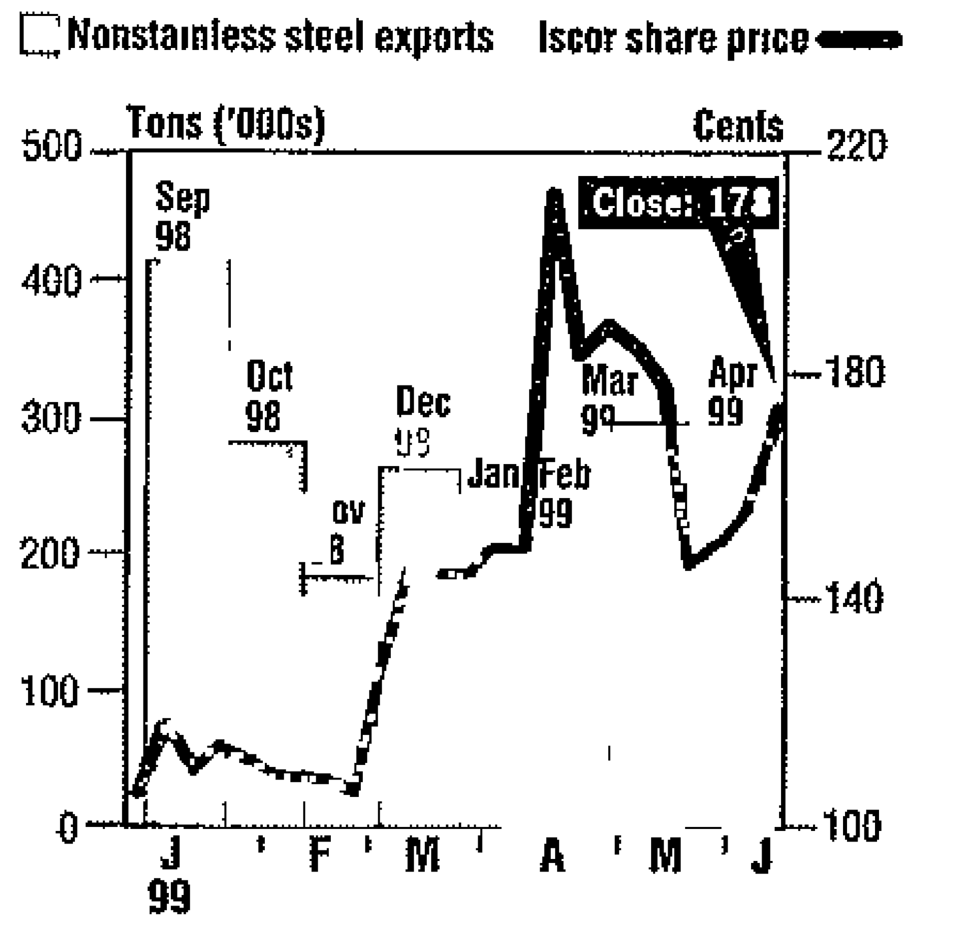
However, this does not mean local producers are out of the woods Just six weeks ago Iscor, SA's major producer and the world's 30th ranked on the basis of metric tons of crude steel output, said that "unfavourable developments in the group's steel markets will result in a significantly higher operating loss from for the second half of the financial year"

The group does not expect headline earnings for the year from current operations to improve on the 7,3c a share reported for the first half

Nevertheless, there are some positive aspects Iscor is now undergoing major restructuring — reflected in the improving share price — which will enable the group to take advantage of an increase in domestic demand and place less emphasis on exports and dollar-denominated profits

The company's shareholder base has changed also About 85% of the stock is now held by 15 institutions (predominantly fund managers in North America), who are willing to look at the share on a long-term basis

Recovery foreseen



KUBEN DAVID Source SG FRANKEL POLLAK SECURITIES I NET BRIDGE

SA among 12 accused of dumping steel in US

CT(BR) 9/6/99 (189)

Rich Mkhondo

Washington, DC – US steel makers have accused 12 foreign competitors, including South Africa, of dumping artificially cheap steel in their country, sources said yesterday

The United Steelworkers of America and eight US companies have filed complaints with the International Trade Commission and the commerce department asking that tariffs be imposed retroactively on steel from South Africa, Argentina, Brazil, China, Indonesia, Japan, Russia, Taiwan, Thailand, Turkey, Slovakia and Venezuela

The union and the companies said "Massive imports of unfairly priced and subsidised steel imports continue to overwhelm the US market and harm companies and workers here"

The complaints are the fourth round in the past nine months in the US industry's escalating war on low-priced imports

Curtis Barnette, the chairman and chief executive of Bethlehem Steel, warned that more complaints were in the offing "We're looking very closely at tin mill, rail and other products"

The new round of complaints was filed by Bethlehem Steel Gulf States Steel, Ispat Inland, LTV, National Steel, Steel Dynamics, USX-US Steel Group and Weirton Steel as well as the steelworkers' union

The complaint escalates the US steel industry's highly publicised battle against low-priced imports, which steel executives have blamed for recent losses at several leading companies, the laying off of an estimated 10 000 employees and the bankruptcy of three smaller US producers

But the steel industry's demand for protection has not been met with total sympathy from some US officials, including Alan Greenspan, the chairman of the Federal Reserve

Analysts and trade groups representing steel buyers criticised the US companies for crying to Uncle Sam for a handout because they could not compete in an open market

In a recent speech, Greenspan scolded trade protectionists in the steel industry "The US has been in the forefront of the post-war opening up of international markets, much to our and the rest of the world's benefit It would be a great tragedy were that process reversed"

David Phelps, the executive director of the American Institute for International Steel, a trade group, had harsh words on any impediment to unfettered trade

"Yes, the domestic industry can force prices up in the short term and make a little more money thanks to the government and their lawyers

"But ultimately, if you force your customer to pay too high a price for too long, you ll put him out of business or he'll move"

The steel companies are likely to reach sympathetic ears in Washington

But the stakes are particularly high in the latest round of complaints because they target cold-rolled steel These thin, easily shaped sheets are among the highest quality and highest margin carbon steel products on the market and are commonly used in appliances and vehicle bodies

Weirton Steel said the US imported 2,3 million tons of cold rolled steel in 1998, about 14 percent of the US market and a 121 percent increase from 1996

Cold-rolled steel prices have been going up modestly since the start of the year, along with other types of steel But they still lag year-earlier prices by about 20 percent

It will take a year or so for the complaints to reach final resolution But if the three earlier cases are any measure, the companies are likely to reach sympathetic ears in Washington, at least in the early stages

The foreign steel companies involved had no immediate comment on the complaint, but said they were simply responding to orders from customers in the US – Independent Foreign Service

Numsa to resist labour law changes

(211) (189) (ab)

FRANK NXUMALO
LABOUR EDITOR

Johannesburg – The National Union of Metalworkers of South Africa (Numsa) said yesterday that it would resist any changes to the country's labour laws as proposed by the South African Chamber of Business (Sacob)

Sacob wanted labour legislation reviewed, as it believed it impeded employment growth

Gerrie Bezuidenhout, the director of labour affairs and social policy at Sacob, said the government had to "find a balance between social equity and economic growth

"The right balance has to be determined by the prevailing economic situation Currently the balance is biased towards labour and the trade unions "

Numsa said the present legislation was aimed at rectifying the legacy of a distorted labour market Many workers would be retrenched if market flexibility was introduced

"It seems to us that business wants to reverse or stop gains achieved by workers since 1994," said Dumisa Ntuli, Numsa's spokesman

"The intention of business is downward variation of basic standards, which will amount in essence to a dual labour market where those who are better organised have one set of labour rights and those who are not organised or in vulnerable sectors have little or no protection at all "

The union said British experience with flexible labour market policies, where up to 20 percent of households were left without a breadwinner, provided important lessons for South Africa

Sacob should do a cost-benefit analysis and acknowledge that the more disposable income workers had, the more they would be able to spend on consumer goods Numsa said this move would result in the expansion of the national economy

A recent International Labour Organisation country report on South Africa had found the local labour market too flexible Ntuli said employers used casual and contract labour to avoid unions and circumvent regulations

CT(BR) 10/6/99

Numsa, Seifsa sign deal

(189)

Sowetan 29/6/99

By Mzwakhe Hlangani
Labour Reporter

A LANDMARK wage agreement between the Steel Engineering Industry Federation of SA (Seifsa) and the National Union of Metalworkers of SA (Numsa) that will ensure the establishment of a joint strategy to increase economic and employment growth in the industry was finalised yesterday

Numsa chief negotiator Mr Elias Monage said the transformed industry's bargaining process successfully identified key challenges facing the industry for the first time

These included the formulation of a social plan for the industry that has shed about 400 000 jobs in the current adverse economic conditions

The metal and engineering industry will jointly with trade union delegations set up an industry policy forum that will consider unemployment, loss of jobs in the industry and develop coordinated strategies through information-sharing

Seifsa's chief economist Mr David Carson said both parties would now effectively engage the Government in the discussions on export trade and economic-related issues that impacted negatively on the industry

This was intended to supplement work done through the National Economic Development and Labour Council (Nedlac)

Part of the agreement included a two-year wage increase arrangement – 7,5 percent for skilled workers and 8,75 percent for low earners effective from July 1

Carson said a wage model to determine the level of wage increases next year would be based on the consumer price index in May 2000, with an additional 1,2 percent to accommodate half the cost of the reduction in working hours from 43 to 42 a week that year

The four-year programme to reduce working hours to 40 hours a week in 2002 would be achieved by progressively reducing the current 44 hours a week by one hour each year from July 1 and the introduction of flexible work time arrangements would be adopted at individual company levels, he said

Independent mediator Mr Ketan Lakhani, of the Centre for Management Change, commended the parties' agreement to work in partnership, saying it marked a departure from the previous adversarial and confrontational approach

The industry represents about 9 000 companies with 255 000 hourly paid workers

LABOUR *Work week to be reduced to 40 hours by 2002*

Metalworkers and Seifsa weld a landmark wage agreement

(189)

CT (ORP 29/6/99

FRANK NXUMALO
LABOUR EDITOR

Johannesburg – The National Union of Metalworkers of South Africa (Numsa) and other metal industry trade unions, representing more 250 000 workers, had concluded a landmark two-year wage agreement with the Steel and Engineering Industries Federation of South Africa (Seifsa) the parties said yesterday

Seifsa, which represents about 9 000 companies, said that over the past 10 years the industry's bargaining council negotiations had become increasingly confrontational

Prolonged wildcat industrial action accompanied by heavy production losses had also become a regular characteristic

"The process had in many respects become counter-productive, with agreement being reached only after protracted negotiations at the expense of company-level relationships," said David Carsons, Seifsa's industrial relations manager

With effect from July 1, industry employees' actual rates of pay would increase by 8,75 percent for unskilled workers and 7,5 percent for skilled workers

The parties also agreed to gradually reduce working hours to a 40-hour-week by July 2002

Elias Monage, the co ordinator of Numsa's engineering sector, said the parties had also agreed to a model in which the level of wage increases from July 1 next year would be based on the percentage increase in the consumer price index from May to May

It would also include an increase of 1,2 percent to accommodate half the cost of reducing working hours next year from 43 to 42 hours a week and maintaining that rate until 40 hours a week is reached in 2002

FORGING AHEAD *(Top) Edwin Vorster, the group director of Dorbyl, a Seifsa member, and (right) Elias Monage of Numsa. Monage says the parties also agreed on a model for wage increases from July next year*
PHOTO JOHN WOODROOF

Monage said wage talks would reopen if the inflation rate exceeded 10 percent He said no negotiations would be entered into if the inflation rate fell below 5 percent, in which case the wage increase would be a guaranteed 5 percent plus the 1,2 percent working hours reduction

The settlement would introduce flexible working time arrangements, a joint strategy to increase economic and employment growth in the industry and a social plan to alleviate the pain of retrenchments through the establishment of a jointly controlled Work Security Fund

"Management and workers should be encouraged to adopt a flexible approach to working hours and the averaging of working time," Carsons said

"The agreement will enable the employer and trade union parties to focus their collective attention and energies on the important strategic issues facing the industry"

US producers aim to shaft SA steel pipe imports

(189) BD 2/7/99

Simon Barber

WASHINGTON — Continuing their campaign against imports, US steel producers have petitioned the Clinton administration for anti-dumping duties and quotas on SA steel pipe

A minimum duty of 37% is being sought on seamless pipe shipped by Iscor, while two other SA companies, Hall Longmore and Steel Pipe Industries, face possible quotas on how much welded pipe they are allowed to sell in the US

The antidumping suit, filed late on Wednesday by the US Steel Group, several other firms and the United Steelworkers of America, also name Japan, Romania, the Czech Republic and Mexico

The precise categories of product the petitioners are targeting have yet to be disclosed.

The US imported $10,1m worth of SA seamless pipe last year — mostly to the oil and gas industry — double the 1997 figure Iscor is the principal SA producer.

Meanwhile, the US industry has filed a section 201 petition, seeking protection from all imports of welded pipe whether or not dumped, that is sold at below home market prices

These cases go to the quasi-judicial US International Trade Commission, which weighs whether petitioners need safeguards against imports If it finds they do, it passes the matter to the US trade representatives to decide on a remedy

US importers said Hall Longmore and Steel Pipe Industries were the main SA suppliers of the subject pipe Total US imports of SA welded pipe were worth $11,1m last year Targets of antidumping suits may escape duties if their US shipments represent less than 3% of total US imports This de minimis rule (the law does not concern itself with trifles) does not apply in 201 cases

The new suit comes hot on the heels of a commerce department decision to start antidumping proceedings against cold-rolled steel from 12 nations, including SA. The US industry and its union want a 17% duty put on Iscor's output, of which the US took in 148 000 metric tons (valued at $56,5m) last year.

The Clinton administration has been fighting industry-backed legislation to impose sweeping quotas on all foreign steel, seeking to appease pro-steel legislators by giving favourable treatment to antidumping and Section 201 cases

Tax agreement signed

SA AND Australia signed a tax agreement yesterday to avoid double taxation between the two countries, the Australian High Commission said

"The agreement prevents double taxation by allocating taxing rights between Australia and SA in respect of all forms of income flows between the two countries," it said in Pretoria.

The high commission said the tax agreement was Australia's first with an African country — Sapa.

Mandela accepts Iscor donation

FORMER president Nelson Mandela received a donation worth R1m yesterday from the iron and steel manufacturer Iscor to spend on victims of a tornado that hit the Mount Ayliff and Tabankulu areas of the Eastern Cape earlier this year.

Twenty people were killed and many homes destroyed when the tornado struck the area

The company handed over the donation in the form of 200 tons of corrosion-resistant steel roofing made at its plant in Vanderbijlpark.

In addition to the roofing, Iscor will be building a school and clinic at a cost of about R3m in the Mount Frere area — Sapa.

Gripen and union agree on school

THE National Union of Metalworkers of SA (Numsa) and the SA National Civics Organisation (Sanco) have pledged their support for the Gripen proposal to supply fighter aircraft to SA and carry out associated trade and industrial packages (189)

The two organisations, along with Saab-British Aerospace, said that in terms of reciprocal agreements that the foreign companies will support Numsa in establishing an industrial school.

"The (parent) Saab group and Numsa have agreed to secure funding for the establishment and start of the school as part of the Gripen industrial participation programme," they said

"An appropriate site for this school has been identified in Randburg" — Sapa BD 2/7/99

Union fury over furnace deaths

ET (BR) 5/7/99 (131) (189)

Frank Nxumalo

Labour Editor

Johannesburg – The National Union of Metalworkers of South Africa (Numsa) accused Ferrochrome company management of "gross negligence" after two workers were killed at the weekend at a furnace in Middelburg, Mpumalanga.

The accident took the death toll at the Samancor-owned plant to five this year

Numsa said the incident showed the company was more concerned with chasing profits than protecting human lives The same furnace exploded in February, the union said, "killing three workers and seriously injuring 100 others"

Peter Dantjie, the acting general secretary of Numsa, said the union believed the company had not properly planned and involved workers in health and safety issues

"Numsa believes the company does not have an effective occupational safety and health programme including management commitment and worker involvement, work site analysis, hazard prevention and control, and safety and health training.

"We have lost three workers earlier this year because of poor health planning Numsa regrets the incident and feels sorry for the victims and their families This is an area in which the company has lagged behind. The company must be held accountable because it failed to take remedial measures regarding the prevention of the explosion "

Samancor said it was investigating the incident and would not comment until the inquiry was completed in two to three months' time

But a company spokesman was adamant that the two workers were not killed by an explosion but by "smolten slag that had spilled over the side of a ladle".

Numsa demanded the establishment of an independent commission to examine health and safety at Samancor with full union participation The costs should be borne by the company

The union also demanded the right to veto management instructions requiring members to work in dangerous areas

Numsa called on the government to set up procedures to prevent explosions in the metal engineering industry

Dantjie said "Nothing is more important than the health and safety of every worker"

Union's threats 'inappropriate'

Sowetan 5/7/99

By Mzwakhe Hlangani 189
Labour Reporter

A THREATENED strike by 50 000 members of the National Union of Metalworkers of South Africa, over the lack of progress in the transformation of the motor industry's collective bargaining, is inappropriate as negotiations are continuing

This was said by the South African Motor Employer Association yesterday

Newly appointed association president Mr Barry Canning dismissed the union's strike threats, saying both parties were in the process of settling the issue of bargaining levels in some of the various chapters for the future bargaining structure

Union sector chief negotiator Hosea Morapedi threatened to embark on strike action when both parties failed to settle outstanding issues in the industrial policy forum on the deadline set for last Wednesday

The forum is intended to speed up the development of local, regional and factory structures to fight unacceptable working conditions

The motor employer association appeared to be unprepared to negotiate a viable centralised bargaining structure, Morapedi said, adding that outstanding transformation issues for the council had not been resolved for almost 10 months after last year's nationwide motor strike

These include a model agreement for negotiation of actual wage increases at industry level Morapedi said

SA News Digest

☐ LABOUR RELATIONS

(152) (189)

Numsa starts rolling mass action at Columbus following wage dispute

More than 900 workers members of the National Union of Metal workers of South Africa (Numsa) will embark on a rolling mass action today at the Columbus steel company in Mpumalanga after the union gave the company a 48-hour notice to take industrial action in terms of the new Labour Relations Act

Dumisa Ntuli, the Numsa spokesman, said the strike followed a dispute resolution meeting that ended in dispute at the industry's bargaining council. Numsa accused employers of [illegible] to meet Numsa's demands and to give a reasonable wage increase"

Numsa demands a guaranteed inflation rate-linked increase of 7,7 percent and an improvement factor of not less than 2 percent. The company is offering 7,1 percent (in terms of the [illegible] consumer price index) and a performance based increase of 0,2 percent. – *Frank Nxumalo, Johannesburg*

CT (BR) 12/7/99

☐ TECHNOLOGY

Y3K makes first IT acquisition for R9m

Y3K, the recently listed technology company, said yesterday it had concluded its first acquisition of an information technology (IT) solutions company, called Micro-Angelo, for R9 million.

Y3K said the acquisition was expected to add about 11 percent to its earnings in the next financial year, but added that other significant benefits were also expected from synergies between the companies.

The R9 million payment is subject to profit warranties Of this amount, half is payable in cash and Y3K has the option of paying the balance in cash or shares upon confirmation of performance.

Timothy Gelman, the chief executive of Y3K, said the company had decided to bed everything down after the listing and produce its first results, which it did in February, before hitting the acquisition trail – *Renée Bonorchis, Johannesburg*

Numsa on strike at Columbus

(189)

FRANK NXUMALO

CT(OR) 13/7/99 LABOUR EDITOR

Johannesburg – Hundreds of National Union of Metalworkers of South Africa (Numsa) workers struck yesterday at Columbus Stainless in Middelburg, Mpumalanga, over wages, the union said

Numsa was demanding a guaranteed inflation-linked increase of 7,7 percent and an improvement factor of not less than 2 percent

Numsa accused the company of negotiating in bad faith and of "having an affinity with the past apartheid system"

Dumisa Ntuli, the Numsa spokesman, said the company's failure to meet union demands would adversely affect its "development, productivity and workforce performance".

Numsa also slammed the police for arresting four of its members "The police took sides with the employers by arresting our members," Ntuli said

Columbus said Numsa had refused to discuss picketing rules, as required by the Labour Relations Act. It said the strike had not affected production, deliveries or maintenance at the plant.

"The strikers have been denied access to the Columbus premises to minimise the possibility of work interruptions

"Some of them were arrested this morning by the police because they interfered with employees, who were coming to work," a company spokesman said.

Columbus said it had reached a settlement with all recognised unions except Numsa of 7,1 percent plus a 0,5 percent increase based on individual performance

Wilhelm Prinsloo, the general manager for human resources at Columbus, said the wage offer was higher than May's inflation figure, and the company had lost R323 million last year A similar loss was predicted for this year.

Meanwhile, 8 000 Numsa members have given notice on Highveld Steel and Samancor that they will embark on a solidarity strike with Columbus

War on lay-offs

Sowetan 14/7/99

(250) (270) (189) (197) ~~(187)~~ (188)

Thousands to protest at job losses

By Mzwakhe Hlangani
Labour Reporter

A SPATE of strikes and demonstrations hit the country this week in protest against the impending retrenchment of over 50 000 workers in parastatals, hotels and catering service industries

The South African Transport and Allied Workers Union (Satawu) jointly with SA Footplate Staff Association and Technical Workers Union intensified protests against the possible lay-offs of about 27 000 Spoornet workers with lunchtime demonstrations at the Transnet head office

Meanwhile, the Southern African Clothing and Textile Workers Union (Sactwu) warned yesterday it would stage human chain marches to the Department of Trade and Industry offices countrywide next Monday to register concern about trade agreements the union believed had resulted in the massive job cuts and factory closures in the clothing, textile and leather industries

Sactwu regional secretary Mr Sonnyboy Masingi said tariff reductions on imports of textile, and smuggled goods had resulted in a massive loss of revenue

The Congress of South African Trade Unions has also raised concerns about the threats to retrench workers in several industries including Telkom and the Post Office, which reportedly threatened to lay off 12 000, while Old Mutual will put another 5 000 workers out in the cold

Cosatu's acting general secretary, Mr Zwelinzima Vavi, said the economy had lost more that 180 000 jobs last year and unemployment stood at a staggering 30 percent

"In this context the need to protect existing jobs cannot be over emphasised

"Cosatu will not be an observer, nor will we sit on the fence watching over this ugly spectacle of retrenchments"

The federation is expected to emerge with a tough mass action programme today to protest against retrenchments

It will also demand the urgent amendment of section 189 of the Labour Relations Act which makes retrenchments an issue for consultation rather than negotiations

Over 8 000 workers in steel engineering companies Highveld Steel and Samancor were expected to embark on a secondary strike in support of the 900 striking workers at the Columbus Stainless Steel company in Mpumalanga, a spokesman for the National Union of Metalworkers of South Africa, Mr Dumisa Ntuli, said yesterday Four workers were arrested for alleged intimidation, and the strike has been ongoing for two days, he said

Columbus human resources manager Mr Willem Prinsloo said some Numsa members disrupted access at another gate and were arrested.

Numsa is demanding a 7,7 percent increase and an improvement factor of two percent

About 2 000 workers at Southern Suns continued their two-week-old strike after both parties deadlocked on company restructuring and wage talks

Prison warders toyi-toyi outside the Johanneburg Prison yesterday as part of a nationwide lunchtime protest action by civil servants against job losses and a demand for a 10 percent wage increase. Should their demands not be met, the stage appears set for mass action by government workers across the country.
PIC CLEMENT LEKANYANE

Columbus to seek court interdict

BD 15/7/99

Numsa accuses police of exacerbating tension (189)

Renée Grawitzky

COLUMBUS Stainless in Middelburg is to apply for a labour court interdict today to order strikers to refrain from acts of violence or intimidation as five more workers were arrested yesterday for attempting to block the entrance to the premises

As the strike enters its fourth day, the National Union of Metalworkers of SA (Numsa) has informed Highveld Steel of its intention to go out on strike tomorrow

Highveld Steel confirmed it had been given notice by the union of the pending strike as well as the possibility of a sympathy strike next Tuesday linked to the Columbus strike

Numsa said the threatened strike at Highveld was related to a dispute in wage negotiations in which management had proposed the introduction of lie detector and alcohol tests The union said this demonstrated that "they want to manage the company like a police station where harsh and repressive measures are used to extract information from workers"

The union said it also opposed moves by the company to grant different housing subsidies to white and black workers

Different subsidies are granted depending on job categories

Columbus said last night that it had served notice on the union of its intention to apply for an interdict

The union said that despite the arrests of nine workers, the strikers were well behaved The union believed the attitude of the SA Police Service was not helping the situation but exacerbating tension

Meanwhile, public service workers continued with lunchtime demonstrations yesterday as the Congress of SA Trade Unions-aligned public service unions serve seven days' notice of their intention to embark on a one-day strike on July 23

If the parties are unable to resolve the dispute, the unions plan to embark on a full-blown strike from July 29

Despite the serving of the notice, attempts are continuing to resolve the dispute It remains unclear when a formal meeting will take place between government and the unions However, it is believed that an alliance meeting is scheduled to be held at the weekend

Meanwhile, the two-day strike by members of the SA Clothing and Textile Workers' Union (Sactwu) in the footwear sector was suspended yesterday This came after the majority union in the sector, the National Union of Leatherworkers, signed a two-year wage deal with employers

The deal provides for a 5,5% increase for the first six months and thereafter, from January next year, an additional 0,5% increase

Increases during the second year will be linked to inflation but with a guaranteed minimum increase of 6% Sactwu was demanding a 10% increase

Watch, jewellery firms prepare for better times

(189) BD 19/7/99

Moses Mlangeni

COMPANIES in the watch and jewellery business say SA's depressed economic conditions have been hitting them hard as most of their goods are generally considered luxury items and therefore highly priced

However, the companies are optimistic about the future and are preparing themselves to take advantage of any upturn in the economy which could be triggered by the recent decline in interest rates

The Foschini group, which owns jewellery stores Sterns and American Swiss, says it has had to make changes to its business to withstand the difficult trading conditions

Retail director Doug Maree said "There may be no official research figures on the size and worth of the jewellery industry but there certainly has been no tremendous growth The market has remained fairly static, if not shrunk a bit "

Referring to the poor annual results reported by watch importer Anbeeco recently, Maree said Anbeeco's brands — Pulsar, Seiko, Jemis, Lassale and Lorus — which were among the top selling brands five years ago, were now facing competition from new brands, in addition to the steep decline of the economy

Anbeeco MD Barry Philips said the company would introduce uniquely differentiated new merchandise during the coming year in a move to give consumers a better choice and greater selection, and to revive the once lucrative market

Philips said feared some brands of watches could be forced to exit the industry if the depressed conditions continued for an extended period

"In such circumstances brands best positioned to withstand the harsh conditions will be those offering a point of difference and of international repute

"There is a definite swing back towards international brands because of their aspirational appeal and the fact that they provide the required quality, integrity and standing," Philips said

Anbeeco's turnover for the year to April fell 27,5% to R51,8m from R71,4m last year, translating into a trading loss of R2,9m The attributable loss an ordinary share came in at R7,3m and headline loss of 48,5c a share was recorded

The group reduced its inventories by R12,7m in the second half, and due to the poor results directors resolved not to declare a final dividend (1998 7,0c)

Company Name		Turnover (Rm)		Headline eps (c)		Dividend (c/share)	
Venmil	I	*15,1	*(9,8)	5,6	(3,8)	—	(—)
Newport	I	*24,6	(#62)	§30,91	(81,65)	†30,91	(81,65)

f final, I interim, † combined income per unit * Revenue, #15 months to 31/12/98, §earnings per unit, †distribuion Comparable period in brackets

Strike suffers major setback

(152) (189)

By Mzwakhe Hlangani
Labour Reporter

THE week-old strike by National Union of Metalworkers of South Africa members at Columbus Stainless in Mpumalanga suffered a major setback when the Labour Court ordered the union to stop its members from picketing near the company premises

Columbus Stainless communications manager Mr Laing Geldenhuys had charged that striking Numsa members disrupted access at the main gate and prevented people from going to work Several strikers were arrested for engaging in illegal activities

The court ruled last week that union members should not picket within 55 metres of the company premises and should stop engaging in unlawful activities during the legal strike The union was also ordered to pay costs

Numsa spokesman Mr Dumisa Ntuli denounced the arrest of eight unionists who were protesting for wage increases Numsa is demanding 7,7 percent plus a two percent improvement factor, while management has offered 7,1 with a further 0,5 percent based on individual performance

An estimated 4 000 workers at Highveld Steel, also in Mpumalanga, have reportedly embarked on a legal strike after a deadlock over wage talks was referred to the bargaining council

Ntuli said they were infuriated by the management's insistence on giving a R700 housing subsidy to whites, while blacks received R237 The union also demanded that the company implement the Employment Equity Act

Meanwhile, the strike at Gold Fields' Oryx mine in Welkom continued after attempts to persuade the National Union of Mineworkers to find a solution failed at the weekend

Oryx managing director Mr Brendan Walker said it was not in the interest of employees or the company that the strike continues He believed there is sufficient common ground for an agreement to be reached

The dispute centres on the contents of a proposed retrenchment agreement for the mine Oryx has notified the Gold Crisis Committee of its intention to reduce the workforce by 900 people

Over 200 striking Numsa members arrested

(152) (189) CT (BR) 30/7/99

FRANK NXUMALO
LABOUR EDITOR

Johannesburg – Columbus Stainless erupted again yesterday when close to 200 workers allied to the National Union of Metalworkers of South Africa (Numsa) on a legal strike were arrested and refused bail for being a "danger to society", the union said yesterday

Numsa said two workers were admitted to an intensive care unit after being allegedly shot by police

Dumisa Ntuli, a spokesman for Numsa, said "It seems to us that the traditional methods of dealing with strikes are still being used by the police despite the changes in the country"

Laing Geldenhuys, a company spokesman, said Numsa members ignored several police warnings to vacate the premises and started throwing rocks at the police, damaging vehicles and injuring some of their own members in the process Police retaliated by firing rubber bullets and apparently injured some of the employees

'DANGER TO SOCIETY' *Columbus Stainless workers at a strike that ended in arrests and a refusal by the court to grant bail*

PHOTO JOHN WOODROOF

Geldenhuys would not be drawn into revealing whether the company was prepared to move on its offer of 7,1 percent plus a 0,6 percent individual performance-based increment against union demands of a 7,7 percent inflation-linked increase plus an improvement factor of not less than 2 percent

The company has already settled on its offer with three other recognised unions, including the all-white Mine Workers' Union

Columbus strike turns violent

(189)
(192)

BD 20/7/99

Reneé Grawitzky
and Sapa

THE week-long wage strike at Columbus Stainless Steel in Middelburg, Mpumalanga, turned violent yesterday as police used rubber bullets to disperse strikers

Two strikers were admitted to hospital and at least 150 were arrested Police spokesman Capt Izak van Zyl said those arrested had appeared in court on charges of public violence, failing to comply with the interdict and malicious damage to property

Marches and demonstrations by private and public sector workers continued across the country in protest against wage disputes, retrenchments and the lowering of trade tariffs

Columbus said 150 strikers were arrested after members of the SA Police Service tried to disperse workers who occupied a building, contravening a Labour Court interdict obtained last week prohibiting workers from picketing on the premises

The company said strikers attacked police, who reacted by firing rubber bullets Two workers were injured during this incident

The National Union of Metalworkers of SA (Numsa) said close to 200 workers were arrested and two were admitted to intensive care after being shot

The union launched a scathing attack against police, saying they had provoked workers who were awaiting picketing rules from the Commission for Conciliation, Mediation and Arbitration

Numsa said police had been intent on breaking the legitimate and legal strike from the outset

The union did not believe workers had engaged in unlawful conduct

The company said there had been several incidents of stone-throwing and attempts to break down the gate to the premises since the strike began

At Oryx gold mine in the Free State another strike went ahead despite Gold Fields' attempts to obtain an interdict declaring the action unprotected

The company applied for an urgent interdict yesterday, arguing that the National Union of Mineworkers (NUM) had failed to comply with the requirements of the Labour Relations Act and did not act in the best interests of employees or the long-term survival of the mine

The strike was sparked by the mine's decision to retrench 900 workers

Oryx is one of six mines which have notified the gold crisis committee of its intention to retrench

The NUM said yesterday the company had argued that the union was camouflaging the real intent of the strike, which was to stop the retrenchments The strike was triggered by the company's failure to negotiate a retrenchment agreement, the union said

Gold Fields said it had acted in good faith, offering a fair and reasonable package under the circumstances "Our offer aims to balance the needs of potentially retrenched employees with the long-term survival of the mine and almost 4 000 associated jobs," it said

The law provided for one week's severance pay, while the union was demanding 16 weeks' severance pay plus a six-month notice period

Gold Fields said the union's demands were unaffordable and inconsistent with concern about the mine's future and workers' job security

NUM general secretary Gwede Mantashe said yesterday that the union was willing to engage management to resolve the misunderstanding

As gold closed at a fresh 20-year low of $252,15 in New York yesterday against Friday's $253,65, there were indications that the parties could meet today to continue negotiations

Meanwhile, thousands of members of the SA Clothing and Textile Workers' Union (Sactwu) marched in major centres around the country to protest against continued job losses in the clothing, textile and footwear sectors

Job losses have been attributed to the lowering of tariffs and the subsequent increase in cheaper imports

The union is demanding that government freezes tariff reductions on clothing and textiles The union said the general agreement on tariffs and trade gave SA 12 years to phase in tariffs, but government had decided to phase them in over eight years

In the public sector, protest action is expected to continue to put pressure on government this week to revise its wage offer The National Education, Health and Allied Workers' Union denied reports that it had suspended its protest action A one-day strike is planned for Friday, with workers participating in countrywide marches

VW caught in dispute: Page 3
Comment: Page 11

Time SA jewellers cash in

Ilja Graulich (189) BD 21/7/99

THERE has been a change in demand for gold jewellery worldwide and SA jewellery manufacturers should take advantage of this trend, Jan Springer, marketing consultant to the World Gold Council said yesterday

She told local manufacturers at the release of the council's "Global Trends 2000" survey into gold jewellery trends that much of the gold jewellery sold in Europe today had an African feel to it

However, it was not designed by African manufacturers

The survey looked at ways in which changes in society influenced the manufacturing of jewellery

She said that it was now up to SA jewellers to come up with truly African designs that could be exported

Officially the local market consumes about six to seven tons of gold for the manufacture of jewellery, but this figure may be higher

Springer said it was strange the local industry was not exporting most of its products — about 90% was consumed locally — thereby echoing a view expressed some weeks ago by Harmony Gold-MiningCEO Bernard Swanepoel, whose company had donated gold to various local designers

Anglogold's Kelvin Williams, whose company sponsored the World Gold Council's survey, said it was time producers as a whole woke up to the fact that they had to take care of their product or face the consequences

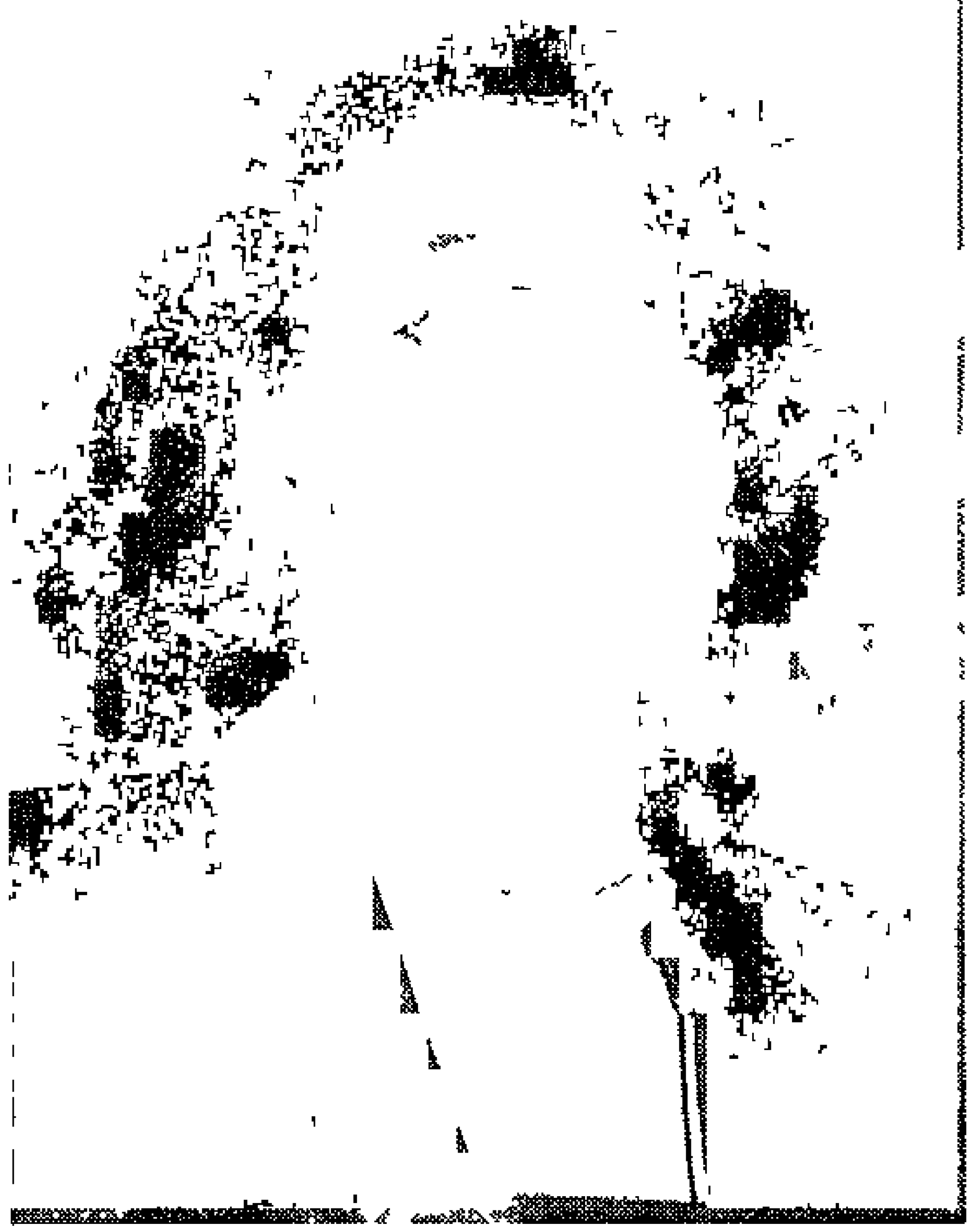
He said that this survey was the start of a long-term process of creating greater demand for gold as a jewellery product, locally and overseas

The trade and industry department has realised too that there is a need to create greater export demand Invitations have gone out for a tender to look into the state of the industry and how a greater export market can be created

Springer said that one of the interesting outcomes of the survey was that the purchaser of gold jewellery has changed

Although a few years ago it was mainly men who bought jewellery for their partners, nearly 60% of jewellery sold in England nowadays was to women, Springer said

Women now were buying their own jewellery Instead of having one set of gold earrings women in the UK generally have six pairs



Jan Springer, marketing consultant to the World Gold Council, says SA jewellers have to come up with truly African designs Picture ROBERT BOTHA

Green light for probe into Iscor imports

Simon Barber BD 21/7/99

WASHINGTON — The US International Trade Commission has found sufficient grounds to believe that imports of Iscor cold-rolled steel at below home-market prices are hurting US producers and may therefore warrant the imposition of antidumping duties

In a unanimous ruling on Monday the panel gave the commerce department the green light to investigate Iscor's pricing and assess duties that would bring its US prices in line with its SA ones

The US imported 148 000 tons, worth $56m, of Iscor cold-rolled steel last year

The duties are being sought by nine US producers and the United Steelworkers' of America union on imports from SA and 11 other counties, including Japan, Russia and Brazil The duty requested on SA products is at least 17%

The department is expected to assess preliminary duties in November

The petitioners have not asked that the duties be made retroactive in SA's case, giving Iscor a small window to take new orders One option is for Iscor to seek an agreement with the department under which the dumping investigation would be suspended in return for accepting a price floor calculated by the department

(189) (74G)

NEWS

Loss-making company has to keep costs down, analysts warn

Columbus 'must rein in wage rises'

ET(BR) 22/7/99 (189)

JOHN FRASER

Johannesburg – Strike-hit Columbus Steel needed to keep a lid on wages if it was to start making a profit, analysts said yesterday.

The pay issue has hit the headlines with the increasingly violent strike at its Middelburg plant

"Workers are demanding a 9,7 percent pay rise, which is almost 50 percent above the rate of inflation," said Nic Dinham of BoE Securities

"The company is making a loss at the moment and you have to have a good reason to give your labour force that sort of rise"

Columbus warned earlier this month that it expected a 1999 loss, in line with last year's figure of R323 million

Dinham said it was vital for the company to keep the lid on costs He believed a high pay rise this year could trigger similar demands in future, with a damaging cumulative effect

George Grohmann a steel expert at Rice Rinaldi Securities, said if the strike was settled swiftly it was unlikely to have a large effect on the performance of Columbus

"The plant was shut down for two weeks for maintenance and so the strike is not having any real impact," he said

Grohmann stressed the importance of keeping down wage costs in the steel industry at a time when the price for nickel – an important input – was rising

He said exports were poised to improve, with prices edging up But while the company was likely to make an operating profit next year, it would not make an overall profit because of its debt burden

"Columbus is not at full capacity and until it gets there it will not make much, if any, profit.

"It can't afford to be over generous to its workforce"

Laing Geldenhuys, the communications manager of Columbus, said on Tuesday labour costs accounted for about 90 percent of the company's fixed costs, which in turn accounted for 20 percent of total costs

The average worker earned R6 700 a month, Geldenhuys said

In light of last year's losses of R323 million and of the depressed market for steel, it would be "very difficult" to meet the unions' demands

Geldenhuys said the company had offered a rise of 7,1 percent, which was equivalent to May's annual inflation figure, with a further 0,6 percentage points for individual performance

Fewer than a half of the company's 2 000 workforce were unionised, he said

STICKY DILEMMA *Workers strike outside Columbus Steel's Middelburg plant, demanding a pay rise* PHOTO JOHN WOODROOF

Strike action – two hurt

(189) (152)

TWO striking workers were hospitalised and at least 150 others arrested after a clash with police at a Columbus Stainless plant in Middelburg, Mpumalanga, yesterday

The workers, who have been on strike over a wage dispute since last week Monday, allegedly defied an interdict barring them from the premises of Columbus Stainless

Police spokesman Captain Izak van Zyl said the workers appeared in the Middelburg Magistrate's Court on charges of public violence and failing to comply with the interdict Eight were also charged with malicious damage to property

The National Union of Metalworkers of SA accused police of provoking its members while they awaited the arrival of picketing rules It labelled the police action "barbaric"

But Van Zyl said police had fired rubber bullets only after the strikers became "aggressive" and began hurling stones at policemen and their vehicles

One of the injured workers sustained a fractured skull and was in a serious but stable condition, a spokesman at Middelburg Hospital said The other had a blue eye and lacerations to the head

Van Zyl said the two sustained head injuries after being hit by stones

The union, however, which claims a total of 200 strikers were arrested, said they had been shot with rubber bullets by police

Van Zyl said the arrested workers were due to appear in court again on Friday They did not apply for bail and remained in police custody

Columbus Stainless backed the police version of events "The Numsa members were asked to leave the premises They refused to do so in the allotted time and the police arrested them," the company said

"Some of the strikers attacked the policemen Stones were thrown and vehicles were damaged

"The police retaliated – under the Regulation of Gatherings Act 205 of 1993 and in terms of the interdict – with rubber bullets" – *Sapa*

Sowetan 20/7/99

Talks over cop's actions

(184)
(152)

UNION officials will meet Mpumalanga's safety and security management this week to discuss concerns that police monitoring the 10-day-old strike at Columbus Stainless in Middelburg acted in a heavy-handed manner.

National Union of Metalworkers of SA spokesman Mr Dumisa Ntuli said yesterday: "Our members in Middelburg are treated harshly whenever there is a strike .. there is an element of racism in this".

The provincial safety and security department confirmed that its head, Advocate Stanley Soko, would meet union president Mr Mtutuzeli Tom and assistant general secretary Peter Dantjie on Friday.

Two people were hospitalised with head injuries on Monday when workers on a legal strike over a wage dispute clashed with members of the public order policing unit at the Columbus plant in Middelburg.

Police fired rubber bullets and teargas at the group of strikers, allegedly after they refused to leave company premises in line with an interdict obtained last week, and started throwing stones.

Police arrested 151 Numsa members on charges of public violence, failing to comply with the interdict and malicious damage to property. The workers remain in custody pending a court appearance on Friday.

A meeting has been scheduled for Thursday between Columbus Steel management and the union under the guidance of the Commission for Conciliation, Mediation and Arbitration.

Ntuli was not optimistic about the outcome of the talk.

"They must release workers before we can have amicable talks. The company also wants the 900 workers on strike to go back to work first, which is not acceptable" he said.

Highveld police Commissioner Ben Groenewald dismissed the charges of racism levelled against police.

He told Sapa that the Middelburg Magistrate's Court granted bail of R1 000 each to the strikers.

However it had not come into effect because they refused to provide their names and addresses, he said.

Ntuli insisted that bail had not been granted.

He also alleged that Columbus had instructed Midmed, a private hospital to which the two injured strikers were admitted, to transfer the patients to a public hospital in Middelburg.

"They (Columbus Stainless) hate these workers," he charged. He said the two were transferred back to Midmed after the union's intervention.

The company's communications manager, Mr Laing Geldenhuys, said Columbus sent the workers to Midmed but that the hospital management had referred them to the provincial hospital.

The union is demanding a 9,7 percent wage increase, while Columbus is offering 7,1 percent plus 0,6 percent based on individual performance. — *Sapa*

Smelter sector may feel heat of Columbus strike

CT (BR) 28/7/99 (189) (152)

Frank Nxumalo
Labour Editor

Johannesburg – More than 60 000 members of the National Union of Metalworkers of South Africa (Numsa) threatened yesterday to embark on a sympathy strike if the three week Columbus Stainless strike was not resolved within a week

"The national leadership of the union has agreed that tough action must be taken against the company," said Dumisa Ntuli, Numsa's spokesman

"The union will call for interspersed solidarity strikes in all major smelter companies in support of the Columbus Stainless workers" He said such companies included Alusaf, Iscor, Huletts Aluminium, Samancor and Highveld Steel

"The union will also be approaching the Industrial Development Corporation, as the shareholders of the Columbus company, to speak to Columbus management," he said

"We definitely want all the shareholders to intervene speedily to resolve the impasse"

Columbus Stainless could not be reached for comment, but industry analysts believed the company would find it difficult to meet Numsa's demands of an increase of 7,7 percent across the board plus an improvement factor of not less than 2 percent

The company's revised offer is a flat 7,3 percent plus a 0,6 percent performance bonus

Numsa to strike after Columbus retracts offer

(189) CT (MR) 30/7/99

FRANK NXUMALO
LABOUR EDITOR

Johannesburg – The National Union of Metalworkers of South Africa (Numsa) would serve a seven-day notice by Tuesday at the latest to all major smelter companies for a full-blown interspersed sympathy strike, the union said yesterday

The decision to go ahead with the sympathy strike by 60 000 members in support of the three-week Columbus Stainless strike followed Columbus's move yesterday to withdraw its unconditional final offers to employees of a 7,3 percent increase for upper grades and 9 percent for the bottom pay grades

The conditional offer pertaining to the full-time shop steward – that Numsa must have increased its membership to 600 from the present 537 by January – was also withdrawn

The company's action was influenced by Numsa's rejection of the final offer at a reconciliation meeting brokered by the Commission for Conciliation, Mediation and Arbitration (CCMA) in Witbank

Both parties have now reverted to their original positions Columbus is offering 7,1 percent plus 0,5 percent based on individual performance and Numsa is requesting 9,7 percent

Numsa accused the company of coming to the CCMA when it was "not even ready for the meeting"

"They negotiated in bad faith because wage negotiations are about give and take and not withdrawing The company has been completely unreasonable in dealing with the impasse," said Stephen Nhlapho, Numsa sector co ordinator

However, Brian Greestein, a labour law consultant at Andrew Levy and Associates, said the parties had been able to revert to their original positions after Numsa's rejection of the final offer because the company had tabled it without any conditions attached

In that case negotiations were regarded as "settlement negotiations" and considered to be without prejudice and not conducted in bad faith

The company denied Numsa claims that it planned to fire all of them after they had rejected its final offer

The strike would affect Alusaf, Iscor, Hullets Aluminium, Samancor and Highveld Steel

Erwin takes on US on dumping

(189) (74)

JOHN FRASER

Johannesburg – Alec Erwin, the minister of trade and industry, lodged a tough protest with Washington this week over persistent anti-dumping suits against South African steel exporters

He raised the issue in a video conference with Charlene Barshefsky, his US counterpart, in the context of the new Trade and Investment Framework Agreement between Pretoria and Washington

CT (MR) 30/7/99

Erwin said US anti-dumping actions had created a climate of uncertainty for South African steel exporters He warned that firms were not going to invest time and effort in seeking export markets in the US because of the ever present threat of anti dumping measures

South African trade officials said measures such as last year's anti-dumping duties by the US on Columbus Steel would effectively exclude South African exporters from the US market

"We are deeply concerned about the spate of anti-dumping duties," said Tshediso Matona, the director for bilateral trade in the department of trade and industry

"A long-term solution needs to be found to this problem

"We don't think that repeated use of anti-dumping is a productive strategy, it acts against trade and affects bilateral relations "

Discussions between officials from Washington and Pretoria ranged over a number of flashpoints in US-South Africa trade, including the row over drug patents

The US insists that new South African medical legislation must not breach Pretoria's international obligations regarding drug patents and intellectual property

Highveld Steel buckles by 60%

ARG 31/7/99 (189)

John Fraser

Johannesburg – Highveld Steel and Vanadium Corporation, the Anglo American-controlled steel and ferro-alloys producer, yesterday announced a dramatic 60 percent slump in headline earnings in the first half of 1999

Earnings for the first six months to June fell to R39 million, down from R97,3 million in the first half of 1998

The new earnings figure included a depreciation charge of R73,4 million, net interest paid of R28,1 million and a tax credit of R104,5 million

Turnover for the first half of this year was R1,57 billion, down from R1,89 billion in the same period in 1998

The company is predicting it will find it difficult to maintain earnings at the same level in the second half of this year

"The results are not good – it has been a difficult six months," said Trevor Jones, the managing director of Highveld

"The results reflect very difficult market conditions in the first six months of this year, with lower export prices"

Headline earnings a share were 40,1c, compared with 100c in the first half of 1998

Despite these poor results, the company declared an interim ordinary dividend of 10c a share – down on the 30c a share announced one year ago

Highveld suffered a negative cash flow of R319,7 million, compared to a positive figure of R137,5 million last year

Meanwhile, there was a turnaround in cash in hand, from an increase of R135 million in the first half of 1998 to a net outflow of R287,4 million in the first half of 1999

The group's debt increased threefold to R470,5 million in the six months to June, compared to R150,8 million in December

Columbus Steel, in which Highveld has a one third stake, reported a loss for the first half of this year of R206 million, well up from the R151 million loss for the first half of last year

This was despite an increase in turnover, from R1 billion to R1,2 billion, and was blamed on poor export prices

Columbus is currently embroiled in a strike, and management said discussions with the National Union of Metalworkers of South Africa were continuing, with the assistance of the Commission for Conciliation, Mediation and Arbitration

Jones said that Columbus was poised to break into profit next year

Leslie Boyd, the chairman of Highveld, defended Highveld's decision to pay out a dividend "We felt it very important to keep faith with our shareholders – the dividend is fairly nominal"

George Grohmann, a steel analyst at Rice Rinaldi Securities, said if the international steel price rose by about $30 a ton – the amount of last week's rise – then prospects for the company would begin to brighten

Highveld shares closed at R18,50 yesterday, down 130c

COEGA STAINLESS STEEL

SON OF MOSSGAS IN THE MAKING?

SA's steel companies are treading warily on this one (189) fm ~~17/8/99~~ 30/07/99

The proposed stainless steel plant at Coega in the Eastern Cape is viewed by some existing SA steel producers as a potential disaster on the scale of Mossgas just waiting to happen

The gas venture has been a multibillion-rand fiasco caused by cost overruns and State subsidies

But the critics are loath to oppose the steel plant openly at this stage, mainly because they do not expect it to get off the ground They do not want to start an unnecessary battle with government

A second reason for not going public is concern over the position of the Industrial Development Corp (IDC), which seems bound to get involved if government decides to press ahead with the project The IDC is a joint venture partner with Samancor and Highveld Steel in Columbus Stainless and with Iscor in Saldanha Steel

The Coega proposal is linked to the sale of three submarines worth R4,5bn to the SA government by a German consortium headed by Ferrostaal — part of the huge MAN group — which in mid-June signed an agreement to build the plant as part of an offset trade deal The agreement is subject to final Cabinet approval, which has yet to be given

Opponents of the proposed plant say it may not be economically viable, the money could be invested more productively in other areas, such as developing tourism infrastructure, and the decision to build it is based primarily on political and defence industry considerations, not the fundamentals of the steel trade

"Government is determined to have a major industrial project at Coega for political reasons because this is the ANC's heartland and it has to visibly deliver development," says a steel chief executive

"The original major project for Coega was to be Billiton's proposed zinc refinery, but that's on hold because Billiton cannot find a suitable joint venture partner The German consortium's priority is to sell submarines to the SA government If setting up a stainless steel project is what is required to clinch that deal, then so be it

"Ferrostaal is a trading and contracting company It does not manufacture stainless steel It is not going to finance that plant itself and, once the plant is in place, whether it sinks or swims will not be Ferrostaal's concern "

Another adds "There are a whole string of questions to be answered Where is the money going to come from? Will the SA taxpayer end up footing much of the bill through the IDC? Who will be the equity partners and the operators of the plant once it is up and running?

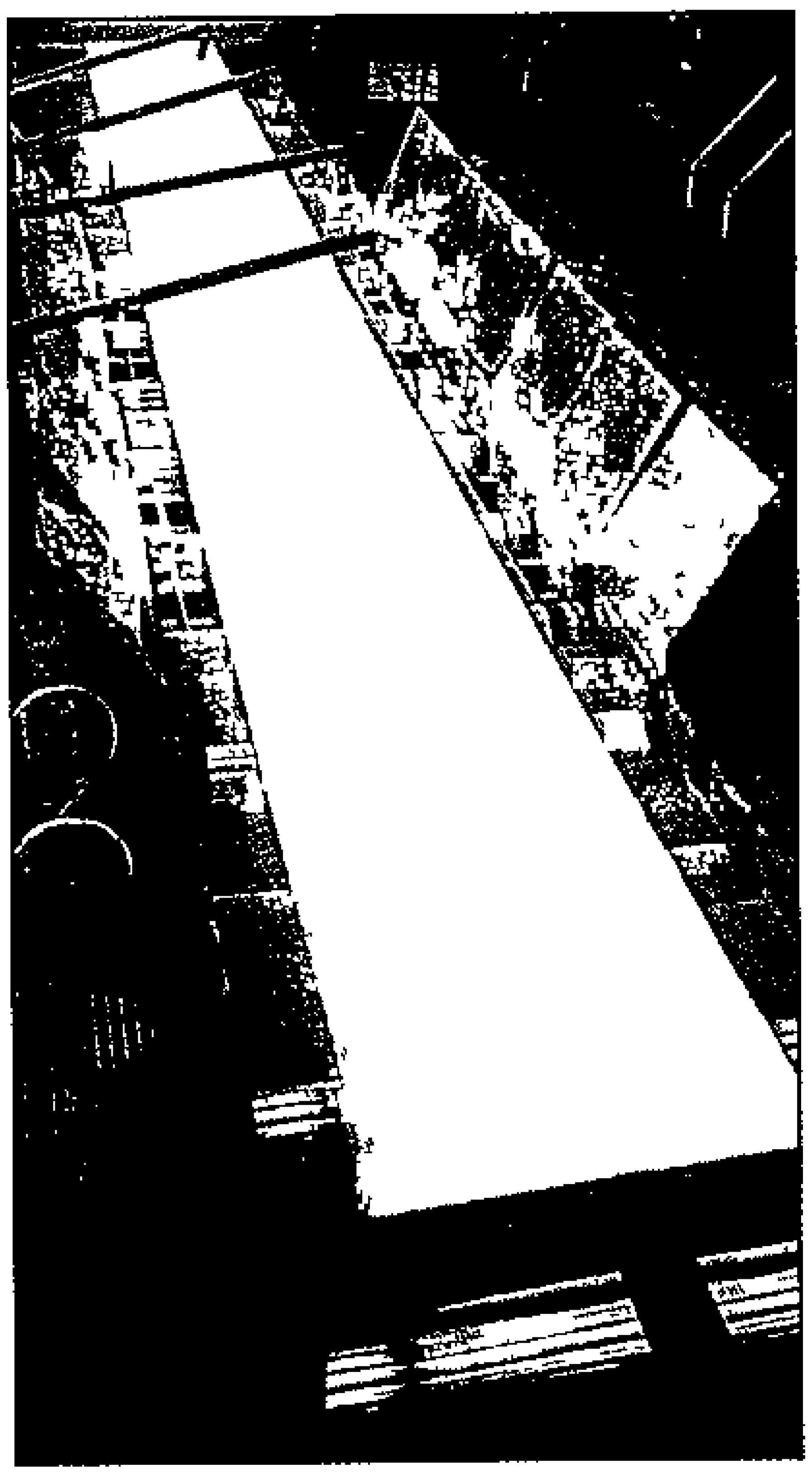
"One of them had better be a substantial group already in the stainless steel business because, if it's a newcomer, Coega can expect a rough ride You have only to look at what happened to Columbus to realise that" Columbus had extended commissioning problems and has been hammered by the downturn in the stainless steel market

For its part, Ferrostaal is upbeat about the proposed project Franz von Redwitz, Ferrostaal's SA project manager, says "It's difficult to talk at this stage because the contract is not yet signed, but the funds required will be raised internationally through project finance and we will find a suitable operator for the plant "

He says opposition from local steel companies is unjustified, as is the view that, just because Columbus has battled, so will the Coega plant "The world market for stainless steel is growing at an average annual rate of 7% The Coega plant will produce 800 000 t annually, which is equivalent to about one year's growth in the market

"If this plant is not built here, it will be built somewhere else in the world And SA has a string of competitive advantages It has the chrome, it has cheap electricity, it has skilled labour, and a deep sea harbour is a good site to build the plant "

Trouble is, the demand for stainless steel looks so good, everybody has been piling in In 1995, cold rolled stainless steel was selling for US$3 300/t, it's now $1 100/t It means newcomers could face several years of working losses



Stainless steel everyone climbed in and knocked the price down

Sources inside Billiton — which with Anglo American controls Samancor — indicate they would not tackle another Columbus without an existing producer as an equity partner That's why they are holding back on the proposed zinc project

According to a paper by market researcher Heinz Pariser, 12 out of 15 stainless steel mills were profitable in 1996 Those losing money were all incurring start-up costs By the end of last year the number of independent stainless steel companies had declined to 12 and only two had been profitable for the full year

SA executives in the steel industry say the key to profitability is for a stainless steel plant to have a solid domestic base from which to target the export markets The SA domestic market consumes around 100 000 t of stainless steel annually but Columbus has the capacity to produce 600 000 t Add Coega and you have 1,4 Mt, virtually all of which has to be exported

Von Redwitz says the cost of building Coega is estimated at $1bn (about R6bn), excluding working capital requirements That number is subject to a bankable feasibility study, which would take about a year The plant would take three years to build and commission, full production would be reached after seven years

The opposition says the final cost could be closer to R10bn Whether they are talking to their own book or not, this project needs to be weighed up carefully

Brendan Ryan

s Sacob

an increase in overall share prices, higher merchandise export volumes and a rise in the number of motor vehicles sold

The index was also influenced by an increase in merchandise import volumes, an improved outlook for manufacturing employment and a lower level of insolvencies

The improvement in the business confidence index was mirrored by Sacob's manufacturing survey, which showed better confidence levels for July

SA NEWS DIGEST

☐ LABOUR RELATIONS

ST (MR) 6/8/99 (152) (189)

Management, Numsa in talks as Columbus Stainless strike continues

The four-week strike at Columbus Stainless in Middelburg was continuing while management and the National Union of Metalworkers of South Africa (Numsa) held formal discussions, the company said yesterday

About 500 Numsa members went on strike on July 12 in support of their demand for [illegible] percent wage increase The company is offering a 7,1 percent across-the-board increase, and 0,5 percent based on individual performance, an offer accepted by three other unions. Laing Geldenhuys, a Columbus spokesman, said the strikers had so far lost R2,4 million due to the no-work, no-pay policy applied during the dispute. However, in spite of the strike, the July production target was exceeded with 1 500 of the company's 2 000 employees still reporting for work – Sapa, Johannesburg

☐ RESIDENTIAL PROPERTY

Market should end year on a 'high note'

The residential property market was poised to enter the new millennium on a high note, Ronald Ennik, the managing director of Pam Golding Properties in Gauteng, said yesterday "After a wavering start to 1999, the upturn is now gathering momentum," he said "The upturn was driven by the sharp fall in interest rates, declining inflation, the successful election, demutualisation and the government's tougher stance on crime Ennik also said a review by Absa had shown prices in 1999, measured year on year, had risen by 6,5 percent in Johannesburg and 1,4 percent in Cape Town. – *Staff Reporter, Johannesburg*

☐ PRIVATISATION

Radebe to head SA team to Ghana summit

Jeff Radebe, the public enterprises minister, would lead a South African delegation to Accra, Ghana next month for a three-day summit on privatisation, Business in Africa, an African business, finance and leisure magazine, reported yesterday The summit would provide a platform for debate on privatisation issues such as transparency problems, politics, joint venture opportunities,

Strike is set to continue

(152) (189)

Sowetan 11/8/99

NO progress was made yesterday in resolving the month-long strike at the Columbus Stainless Steel company in Middelburg

Columbus spokesman Mr Laing Geldenhuys said the company had informal talks with representatives of the National Union of Metalworkers of South Africa (Numsa) last week, but no agreement was reached

National Numsa coordinator Mr Steven Nhlapho said there were plans for another meeting today Two weeks ago the company took a tough line, abandoning a 7,3 percent pay rise that Numsa rejected and going down to 7,1 percent, plus 0,5 percent based on individual performance

It said three other recognised unions at the plant had already accepted this offer

Numsa said it was sticking to 7,7 percent and some other demands, including a fulltime shop steward for its 500 members at Columbus, who are all on strike

The company which employs about 2 000 people, said the strike had not affected production Geldenhuys said international steel prices were at their lowest in 30 years and the company made a R323 million loss last year

About 150 union members have been arrested for various offences since the strike began, including alleged intimidation of non-strikers and damage to property They were each given R500 bail – *Sapa*

No solution yet to dispute

(189) (158)

Sowetan 10/8/99

By Dan Fuphe

THE week-old dispute between management and workers at Micro Press Tools in Nuffield, near Springs, over allegations of nepotism and racial discrimination, continued yesterday morning

More than 60 workers downed tools last Tuesday and staged a sleep-in at the factory after a number of what National Union of Metalworkers of South Africa (Numsa) shop steward Mr Owen Manana said was "management's intransigence" on matters related to workers' rights

The company's production manager, Mr Mark Richardson, declined to comment.

Workers accuse Richardson of

● Being responsible for the re-introduction of apartheid-style job reservation,

● Stifling the promotion of black workers and denying them the 'right" to hold monthly meetings on site,

● Giving job opportunities to unqualified white apprentices, and of

● Allowing a white foreman who is a shop steward of the National Employees Trade Union to act as both a judge and jury on matters affecting Numsa members

Manana further accused the company of breaking a long-standing agreement of affording all workers equal opportunities for promotion

"The turning point in the dispute was when management walked out of a meeting that was organised by Numsa on August 3 The meeting was aimed at bringing an end to this long-standing confrontation," Manana added

The toyi-toying strikers were adamant that they would continue their protests until the company and Richardson agreed to treat them humanely with respect

Columbus workers due to return

BD 12/8/99 (189)

Simphiwe Xako

ABOUT 500 National Union of Metalworkers of SA (Numsa) members are expected to resume work today after the union and management of Columbus Stainless in Middelburg, Mpumalanga, resolved the four-week wage dispute yesterday

Columbus spokesman Laing Geldenhuys said in terms of the two-year agreement, Numsa accepted a 7,3% across the board wage increase, plus 0,3% based on performance

"In terms of this, top performers can get a wage increase of 7,6% The increase for next year will be 90% of inflation plus 1% for individual performance, and should company targets be reached, an additional 0,5% will be paid," Geldenhuys said

In terms of the agreement, Numsa would also be granted a full-time shop steward All other unions recognised by Columbus would receive a two-year wage increase of 7,1% plus 0,5% for performance

"The agreements clearly establish the link between annual wage increases and the economic realities of business and performance "

Numsa welcomed the agreement saying it would "go a long way to overcoming the apartheid wage differentials"

Meanwhile production at the DaimlerChrysler plant in East London resumed yesterday after employees earlier failed to show up for work after a communication breakdown between Numsa leadership and members on strike to support five dismissed colleagues

DaimlerChrysler spokesman Annelise van der Laan said the company would make up lost time by pushing the production process to full capacity The company would not opt for overtime shifts as it had to contain costs

Numsa yesterday blamed management for the six-day strike which cost both the company and workers thousands of rands

Numsa's Dumisa Ntuli said management should have consulted the union before dismissing the five employees for nonperformance and for missing team briefings Van der Laan declined to comment as the matter had been referred to arbitration

In Queenstown, 60 members of the SA Municipal Workers Union (Samwu) embarked on a strike after accusing Water and Sanitation Services SA (WSSSA) of reneging on promises of job security and wage increases

Samwu said WSSSA, a subsidiary of French water giant Lyonnaise Des Eaux had promised employees wage increases and job security once they supported its bid to privatise Queenstown's water

"Wages are under dispute, training has been nonexistent and advancement has only affected a handful of workers," Samwu said

NEWS BRIEFING

'Marathon strike' at Columbus ends with two-year Numsa agreement (189) (152)

Johannesburg - The union representing striking workers at Columbus Stainless said yesterday it had reached a two year agreement with the company, and employees would return to work today. ET (BR) 12/8 1999

Workers will receive a 7,3 percent wage rise in each year of the deal, which is effective from July 1 1999

"The agreement put an end to the one-month marathon strike," said the National Union of Metalworkers of South Africa (Numsa) About 500 Numsa members employed at the Columbus Middleburg plant went on strike on July 12 to demand a wage increase of 9,7 percent. Columbus had initially offered 7,1 percent with 0,5 percent based on individual performance

Under the new agreement, workers will get an additional individual merit increase of up to 0,3 percent Another 0,5 percent increase is possible if the company meets its targets by June 2000

Numsa said the company would not pursue charges against the 149 workers arrested last month - Reuters

Three die in Driefontein quake: An earthquake measuring three on the Richter scale killed three mineworkers and injured five others yesterday at the Driefontein mine owned by Gold Fields and would cut the mine's gold production by roughly 10kg a day, the group said. Willie Jacobsz, a Gold Fields spokesman, said the rest of the shaft infrastructure was intact and it appeared as if only about 18 percent of production from the mine's No 4 shaft would be affected. The shaft produces about 1 200kg of gold a month.

800 000 PUBLIC SERVANTS COULD MARCH IN MASS PROTESTS ON AUGUST 24

Johannesburg - Unified labour action by public servants could result in up to 800 000 workers joining in countrywide protest marches later this month to press for better pay

All 12 unions in the public service central bargaining chamber agreed in a joint caucus in Centurion outside Pretoria yesterday to mobilise their members for the planned action, scheduled to take place in major cities on August 24

They said after the meeting "This march will serve as a message to government that public servants are serious regarding their demands"

The unions, which claim a combined membership of about 800 000, would also seek an urgent meeting with President Thabo Mbeki (pictured) to ask for his intervention in their continuing pay dispute with the state - Sapa

Sympathy strike ends: Hourly paid workers at the East London plant of DaimlerChrysler South Africa (DCSA) plant, who had been on strike for five-and-a half days, had returned to work, Annelise van der Laan, a spokesman for DCSA, said yesterday Production at the plant was suspended on Monday last week when workers embarked on a sympathy strike following the dismissal of five employees (152)(192)

ET(BR) 12/8/99

Perks of steel rally 'to elude SA'

CT (ma) 19/8/99 (189)

John Fraser

Johannesburg – South Africa would not reap the full benefits of the tentative global recovery in the steel market, according to a new analysis by MEPS Europe, a Sheffield-based metals consultancy

The analysts expected global steel production to fall by just 2 percent this year This would mean worldwide steel output in 1999 of 760 million tons, just down on 1998's level of 775 million tons

But the picture is less rosy for South Africa, with an estimated slump in production from 7,5 million tons last year to 6,5 million tons in 1999

The report says quarterly output rose from 1,58 million tons in the first quarter of 1999 to 1,64 million tons in the second quarter 'It it is forecasting that production will then lift slightly to 1,65 million tons in the current quarter before dropping back to 1,62 million tons in the last quarter

"South African iron and steel production has been reduced by 20 per cent through the first five months of the year," the report said

"Domestic demand is sluggish and export potential has fallen because of the supply restrictions into the US and poor European prices Only modest improvement is expected on the second half of the year Consequently, we have downrated our forecast for iron and steel production "

MEPS Europe said the most positive signs of recovery in the global steel market were coming from southeast Asia

The analysis comes as Iscor, the steel producer, prepares to announce its annual results today

Albert Minassian, a steel analyst at HSBC Simpson McKie, said "It is likely that the 1999 figure for global steel production will be just 1 or 2 percent down on 1998

"Output is now rising, and I am sure we will see levels at least as good as last year's by the end of the year

"In February the global year-on-year figure was down 8 percent, with 28 percent down for South African producers However, everybody's output has been on the rise in the past months "

Minassian said South African steel producers took a proportionately greater knock from the world economic slump because they were heavily dependent on exports "With a tougher world market, it was more difficult to place steel exports "

But Phaldie Kalam, Iscor's group general manager for corporate affairs, was more optimistic He suggested that the recovery in the Asian market should enable South African steel producers to boost their exports to the more lucrative markets of southeast Asia "Higher prices can be negotiated and steady growth is expected "

He said customers for steel in South Africa were either at the bottom of the slump or were already showing signs of recovery

Iscor steel side in red for first time

BD 20/8/99 (189)

Saldanha project might mean loss of R500m, but foreign investors are taking a long-term view

Ilja Graulich

STEEL and mining group Iscor announced yesterday that its steel division had made a loss for the first time in its history, resulting in a 48% decrease in headline earnings

For the 12 months to June, Iscor's headline earnings declined from R727m to R377m or 28,4c to 14,7c a share

The company did, however, declare a final dividend of 5c a share, down from 10c last year

The final figure does not reveal the whole picture

Of the earnings, R208m, or 8,1c a share was released to Iscor due to a writeback in tax as a result of the lowering of the company tax rate

As first half earnings a share were 7 3c this implied that Iscor made a headline loss of 0,7c in the second half of the financial year

Nevertheless, executive chairman Hans Smith said it looked like the worst was over after the steel industry had gone through the "most vicious downturn in the market in living history"

Mining director Con Fauconnier said that, while his division had also struggled for the better part of the year, turnover was still up 14%, as the company included Zincor as a wholly owned unit for the first time

However, the company has just had to deal with an 11,7% reduction in iron-ore prices in dollar terms which meant the outlook was not as positive as was initially anticipated

Exports, though, should still show good volumes, said Fauconnier

Smith said the company would most likely still battle for the first half of the financial year but there would be a significant upturn in the industry at the beginning of next year

Looking at the balance sheet, Iscor has increased its debt from about one billion rand at the end of June last year to R1,66bn this year

Analysts said that while the debt did not pose too much of a problem due to a likely upswing in the steel market, it could hurt the company should other problems develop in the world steel market

Smith was also relatively calm about the possibility of incurring a possible R500m loss this year from to the 50% stake in the Saldanha Steel project

Smith said the loss at Saldanha will not "cripple the company"

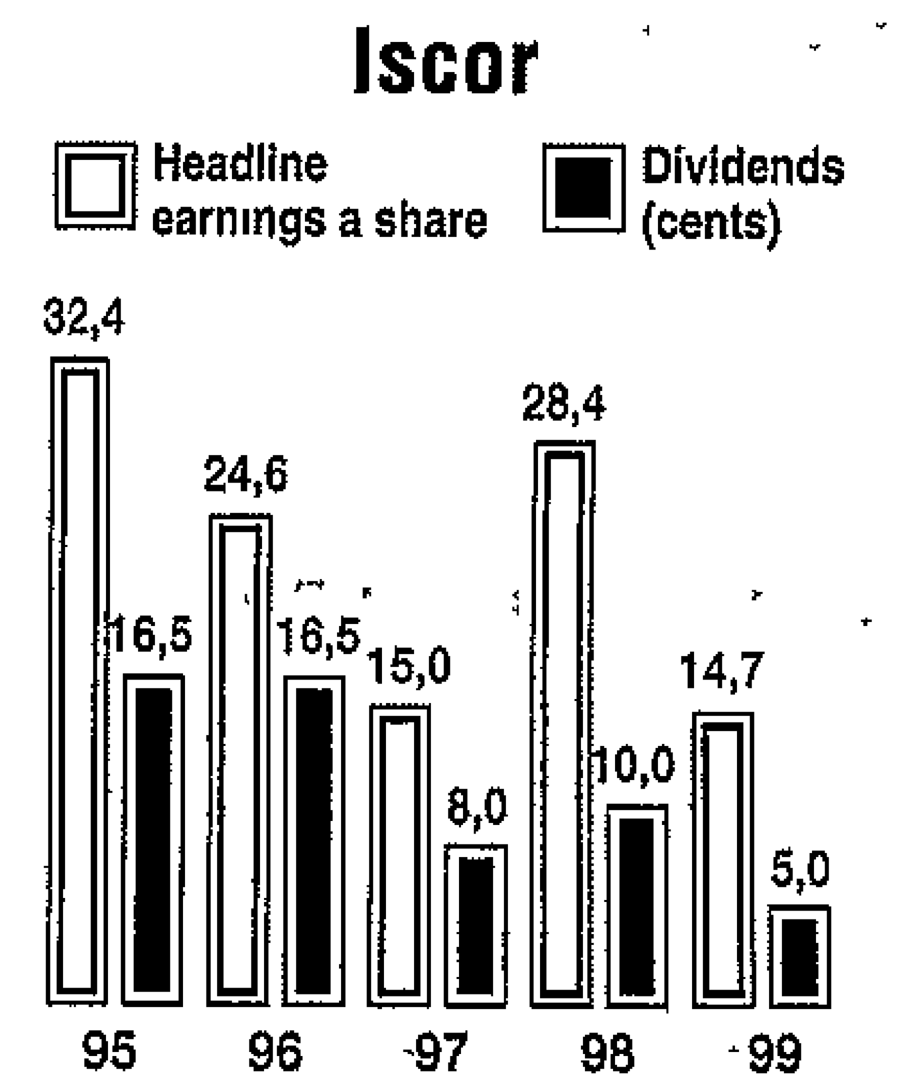
He said foreigners own about 51% of the company's stock, translating into 60% of the votes, as the Industrial Development Corporation's 14% stake is non-voting stock

The feedback from these investors was that they were looking at the run in the commodity cycle on a more long-term basis than SA investors.

Financial director Malcolm Macdonald said some of the costs incurred in the year were one-off costs, mostly as a result of retrenchment packages

Smith said that by the end of the year, Iscor will employ 28 000 people, down from 54 000 in 1993, with turnover an employee a year increasing from R165 000 to R400 000

Smith said another close look had been taken at the possible unbundling of the group's mining and steel division and their listings as separate entities



KAREN MOOLMAN Source ISCOR

He said that consultants had been hired to look at this possibility and had determined that this is not an option at the moment

Columbus suspends 17 Numsa members

(189) (152) CT (PR) 20/8/99

FRANK NXUMALO

Johannesburg – Columbus Stainless yesterday suspended 17 members of the National Union of Metalworkers of South Africa (Numsa) on full pay until disciplinary hearings for allegedly engaging in "unacceptable behaviour" during the recently resolved month-long strike.

The company threatened to dismiss other Numsa members who would strike in solidarity with their comrades facing disciplinary action.

"Industrial action of any sort as a result of the disciplinary process will be a breach of the state prosecutors' bail conditions, will be unprocedural and therefore unprotected and could lead to dismissals," the company said.

"We have taken legal and security steps to deal with any unprotected action by Numsa members."

Columbus Stainless said the suspension was aimed at "minimising conflict and potential interference with witnesses".

"The disciplinary charges range from carrying of (fighting) sticks and knives to (the) intimidation of other employees," it said.

"We have repeatedly stated that this type of behaviour will not be tolerated by management and will result in disciplinary action against offenders."

Numsa accused Columbus Steel of reneging on an agreement reached in negotiations that disciplinary action would be rescinded in the interest of good labour relations.

Dumisa Ntuli, Numsa's spokesman, said the matter was now in the hands of the union's lawyers.

Stainless steel plant 'is viable'

(189)

FROM SAPA

Johannesburg – Mintek, the mineral and metal technology company, supported proposals to build a major stainless steel plant at Coega in the Eastern Cape, it said yesterday

The plan to build the plant is linked to a proposed arms deal in which South Africa would buy three German submarines in return for the Germans establishing the plant

The proposed plant would contribute about 5 percent of the world's stainless steel production and, it is hoped, stimulate growth in the region

Aidan Edwards, Mintek's chief executive officer, believed a plant could be built whether or not an arms deal counter-trade went ahead

"The stainless steel project, which would be operational in four years' time, is very viable in its own right

"The production of stainless steel continues to rise at between 5 and 7 percent per annum Therefore, the market volume for stainless steel will have increased by the time the plant is operational "

South Africa supplies more than 50 percent of the world's chromium, an important constituent of stainless steel

Edwards felt South Africa needed to be more aggressive in developing its mineral resources to make up for the fall of the gold price

CT(BR) 24/8/

Stainless steel industry urged to become more competitive

(189) BD 30/8/99

Justin Palmer

AS COMPETITION becomes increasingly fierce in the stainless steel market, SA foundries must play by global rules to survive

This is the view of Danie Slabbert, MD of Steloy Stainless Castings, just back from an international foundry exhibition in Düsseldorf, Germany, which showcases the latest equipment and technology available in the industry

Slabbert warned that the local stainless steel foundry industry could expect greater competition, both in SA and from global players

"To be successful, the industry is going to have to make every effort to compete on an equal basis "

He said a huge capital investment in the latest high-volume equipment was needed to produce the long runs required on the world markets, or alternatively those foundries that identified jobbing as their competitive advantage would have to work smarter and more productively by using the appropriate technology to lower prices

Steel prices had only just recovered from the worst price slump in 30 years

However, these low prices did not filter through to the local stainless steel industry which used scrap to make various products

Slabbert said local foundries were on a par with similar foundries elsewhere in the world He said that they were able to draw on the latest technology in materials and consumables to produce the highest quality castings

The skills available in SA, although in short supply, were also favourable when compared with the international industry, Slabbert said

"If SA foundries aim to survive and compete against international players, both on the home front and elsewhere in the world, they will have to become more globally competitive "

Slabbert said there was tremendous pressure on product prices and that this was likely to increase rather than decrease in the future

"We have to decide whether we wish to become major producers of big quantities or specialist jobbing foundries able to compete with the best in the world

"From the SA point of view, the latter seems to be the desirable choice for specialist stainless steel foundries, but even this is fraught with difficulties as competition increases on every front "

Although the foundry industry was not a major exporter, Slabbert said it was the dream of every producer to enter international markets

Columbus strikers' court day postponed

Nathi Sukazi

Middelburg – The court hearing for the 149 members of the National Union of Metalworkers of South Africa (Numsa) arrested for trespassing and public violence at Columbus Stainless Steel while on a legal strike for wage increases, was postponed yesterday until October 29

The hearing was postponed after the defence lawyer, Tayob Kamdar, failed to arrive on time. The workers were arrested on July 19 and were later given bail of R500 each, which was paid by Numsa

This was followed by the suspension of 17 Numsa members who had pledged solidarity with those who were arrested They are facing the company's internal disciplinary action.

Dumisa Ntuli, the Numsa spokesman, said the union welcomed the postponement because it would give the company time to rethink its stance and drop the charges

The two parties had agreed on August 11 to a wage increase of 7,3 percent, plus an additional individual merit increase of 0,3 percent for this year

Numsa would also qualify for a full-time shop steward, provided there was a reduction of part-time shop stewards Also, they had agreed Columbus would not pursue criminal prosecutions of the 149 Numsa members on charges of trespassing, but would comply with whatever requirements stipulated by the state.

Ntuli, however, accused Columbus management of "playing double standards" by pursuing an internal disciplinary action on the 17 suspended workers, and for threatening to dismiss other Numsa members for embarking on the strike.

"These are union-bashing strategies by the company intent on demonising the union It's been evident recently that the company does not want to settle the matter"

Wilhelm Prinsloo, Columbus's general manager, could not be reached yesterday

Solly Ramphisa, the Mpumalanga regional chairman for Numsa, who is also a shop steward at Columbus, said the union had decided to challenge the suspension internally "Six shop stewards are among those suspended and workers are frustrated by not having a representation," he said.

Numsa threatens national strike as wage negotiations fail again

Frank Nxumalo
Labour Editor

Johannesburg – The National Union of Metalworkers of South Africa (Numsa) threatened a full-blown national strike after wage negotiations between the union and the South African Motor Industry Employers Association (Samiea) hit an impasse

Public sector workers and miners have come out on strike over the past two months as a result of failed wage negotiations

For at least the third consecutive year the parties have failed to agree on a wage model and have settled only after prolonged strikes, including the first-ever sympathy strike by more than 220 000 Numsa members since the promulgation of the new Labour Relations Act last year

Numsa had always insisted on a wage model based on actual earnings for negotiations at industry level and minimum wage talks at plant level against Samiea's preference for minimum wage negotiations at the central bargaining chamber and actuals at plant level

"With the exception of the components manufacturers and body builders, repair shops and service station Samiea members still refuse to negotiate wage increases on workers' actual earnings," said Numsa's Dumisa Ntuli

The two sub-sectors were offering a 5 percent rise against Numsa's revised demands of 11 percent

Jakkie Olivier, the new director of Samiea, said the present agreement – reached last year after a seven week national strike –was valid until November 30

(189) ARG 4/9/99

Union blames company's troubles on tough competition from rival Fridgemaster

900 to lose jobs with Kelvinator liquidation

(189) CT (PR) 6/9/99

Frank Nxumalo
Labour Editor

Johannesburg – Kelvinator, the unlisted appliance manufacturer, was placed under provisional liquidation and an estimated 900 workers allied to the National Union of Metalworkers of South Africa (Numsa) would lose their jobs as a direct result, the union said at the weekend.

Tough competition, especially from rival and listed Fridgemaster (trading as Masterfridge) had frozen Kelvinator South Africa out of business, a Numsa spokesman said.

Kelvinator was a division of Barlows before being sold off in 1996 to Sovereign Investments, headed by Simon Koch. Kelvinator's chief executive Seartec subsequently bought a 10 percent stake in Kelvinator.

Brian Cooper, one of the liquidators, said his company, Coopers Trust, and PricewaterhouseCoopers, had been appointed co-provisional liquidators late on Friday. The Kelvinator management was no longer in charge of the company.

Despite production having risen from 175 units a day in 1996 when the company was bought by Koch, to 1 000 units a day at the end of September 1997, competition was too fierce to allow Kelvinator to recover from a R42 million loss at the end of April 1997.

Swaziland based Fridgemaster, which has about 50 per cent of the South African market and its own share of troubles, appeared to have had a particularly sharp advantage over Kelvinator with lower labour costs. It paid workers only R2,50 an hour against Kelvinator's R10,01 an hour a unionist said.

An appeal to the department of trade and industry for tariff protection against competitors with lower labour costs in neighbouring countries was unheeded.

A similar appeal to the department for anti-dumping legislation following the opening up of South Africa against overseas producer Whirlpool, would have cost Kelvinator close to R500 000 in preparing "proof of dumping", excluding other administrative costs.

"The shutdown at Kelvinator is going to add to the rate of unemployment and lead to families' instabilities," said Dumisa Ntuli, the spokesman for Numsa.

The Commonwealth Development Corporation invested R34 million in Kelvinator in December last year.

The company was in talks with Email, Australia's largest white goods manufacturers, which could have led to an option of a 25 percent holding in the fridge manufacturer.

The company was exporting to Angola, Nigeria, Mauritius, Cameroon, Tanzania and Kenya. It had been looking to the Middle East, Turkey and Greece for markets.

Kelvinator's budgeted turnover for 1999 was expected to be 60 percent higher than the previous year's R450 million.

Eastern Cape plant a job saver

(189)

Belinda Anderson

BD 8/9/99

THE steel industry is set to receive a R20m boost and stave off thousands of job losses with the building of SA Breweries' (SAB's) Eastern Cape plant, says the Southern Africa Stainless Steel Development Association (Sassda)

The local industry is currently in a slump, with an increasing trend towards downsizing by players Sassda executive director Dave Slater expects a 10% decline in local consumption this year from last year's R2,3bn.

Analysts say the global market for steel should take an upturn by next year. The expected upturn would be linked to increased world growth and the faster-than-expected recovery of the Asian countries' economies

Although the SA market should improve next year on the back of an improved world market, Sassda says the brewery could be an opportunity to break the back of the trend even before world markets have recovered.

"The job losses are difficult to quantify and the trend is not peculiar to our industry. But this is just the trend we want to stave off by encouraging local producers to compete to supply this project," says Slater

The 40-member industry association says its members are well placed to provide the entire stainless steel requirements for the building of the brewery

The plant is scheduled to be up and running by August next year

Jobs shed as Aberdare closes Rosslyn plant

(189) ET(AR) 10/9/99

JOHN FRASER

Johannesburg – Aberdare cables, South Africa's largest manufacturer of electrical cables, had closed its Rosslyn factory in Pretoria and transferred production to its other plants, the company said yesterday

Robbie Venter, the company chairman, confirmed that the move, and other rationalisation, would lead to the shedding of 500 jobs

Less than 10 percent of Rosslyn workers had been able to find new work with Aberdare

Venter blamed this on three factors, and said all played a part in the Rosslyn closure decision

The first problem was cheap imports, the second the continuing need to trim production costs, and the third the depressed state of the South African market

He said demand was badly hurt by the depressed state of the construction industry – the main customer for Aberdare's cables He also complained that the firm suffered from the rise in interest rates in the middle of last year

"The company had been successful, but problems built up over a period of time – there was a gradual progression"

He announced the work of the Rosslyn plant had been moved to factories in Johannesburg and Port Elizabeth, in a rationalisation exercise

"We needed to optimise our manufacturing capability and to reduce overheads

"Most manufacturing companies face these kinds of issues," he said

Venter also noted that the South African market was less protected than some export markets There were 50 percent tariffs on medium-voltage cables exported to India, while South Africa's tariffs on similar imports stood at just 15 percent

Cables made at the Rosslyn plant had to compete with low-cost imports from a number of countries, including South Korea, Spain, Zimbabwe and Botswana

Jewellery industry gets a boost

(189) BD 13/9/99

Justin Palmer

GOVERNMENT says it wants to see the jewellery industry increase its exports and create more jobs

To this end, the Industrial Development Corporation (IDC) — a wholly owned government conglomerate — has given the industry R800 000 to be used to develop a strategic plan to promote exports and to change environmental factors that inhibit the growth of the industry in the country

One inhibiting factor cited is the unavailability of skilled labour There are four technikons that offer jewellery design in SA, but only 25 students graduate from these technikons each year

Whereas SA produces 500 tons of gold each year, it only makes jewellery weighing 10 tons Italy, which does not produce gold, makes 450 tons of jewellery each year, Italian trade commissioner to SA Giovanni Salvo said last week

Opening a workshop on Italian jewellery machinery in Johannesburg, Salvo said SA needed to beneficiate its raw materials, including gold, before selling them abroad

The workshop aimed to provide local jewellery manufacturers with information on Italian jewellery machinery and to provide SA companies with the opportunity to engage in bilateral discussions with their Italian counterparts

Salvo said SA was digging gold out of the ground, selling it to Italy and then importing the same gold back at a much higher price simply because it had undergone a design and manufacturing process, and this needed to be looked at

Claire Minnitt, executive director of the Jewellery Council of SA, said SA produced about 25% of all the raw materials for jewellery production worldwide, but contributed less than 0,5% to fabricated jewellery This made no economic sense as the cost of raw materials was declining on global markets while the cost of manufactured goods was increasing This led to balance of payment problems

She said that while training by individual companies was required, there was also a need for increased levels of technology

Minnitt said that although SA jewellery exports had become uncompetitive over the years because of import tariffs, recent exports to the UK and US markets had been well received in terms of styling and quality

Barlows workers on strike

CT (PM) 16/9/99 (189) (152)

FRANK NXUMALO
LABOUR EDITOR

Johannesburg – About 200 workers allied to the National Union of Metalworkers of South Africa (Numsa) at Barlows Equipment Company in Isando on the East Rand had embarked on a protected strike, the union said yesterday

This follows a rejection of the company's wage increment offer of 7,5 percent across the board against the union's demands of 10,5 percent

Numsa said the workers were also demanding a 40-hour week and a moratorium on retrenchments

Dumisa Ntuli, a spokesman for Numsa, said "Workers are utterly disgusted that the management of the company has negotiated in bad faith (and) believe that the current deadlock will result in serious hostilities and plant instability"

But the company said it was taking negotiations with Numsa seriously It said it had repeatedly called on the union to come back to the negotiation table

Jackie le Roux, the human resources director at Barlows, said "We went through mediation but it was not successful "

Le Roux was hopeful that an amicable solution would be found soon

"We are still having discussions There could be some movement "

Steel duties are a priority

BD 27/9/99 (189)

NEW YORK — SA will press demands through the World Trade Organisation (WTO) for industrialised nations to stop protecting their steel makers and other "grandfather" industries against competition from the developing world, said Trade and Industry Minister Alec Erwin

Earlier, in a speech at last week's SA investment conference in New York, Erwin declared that while SA was making tough economic adjustments to become globally competitive, it was time for the US and other developed countries to accept that in the new era "some of your own sectors will not be competitive"

Alleging injury from cheap imports, the US steel industry has filed a number of antidumping, countervailing duty and safeguard actions against SA steel products in recent years and has succeeded in imposing prohibitive duties even though the products previously represented only a fraction of US imports

Erwin was echoing points he made to US trade representative Charlene Barshefsky in July when they discussed issues they would be raising when the next round of WTO multinational trade negotiations kick off in Seattle in November

Southern Africa in particular, with its abundant mineral resources and "extremely competitive energy position", was set to become a highly competitive player in the "beneficiation and transformation" of minerals that had previously been exported to developed countries for processing, Erwin said

He was referring to projects like the planned Maputo iron and steel works, which will produce steel billets for export using low-cost Mozambican gas as a reductant, and Mozal, which will turn imported bauxite into aluminium using the region's cheap electricity

"A long history of industrialisation faces new challenges The previous pattern was that raw materials already in the developed countries were beneficiated, then they began sucking in raw materials from the developing countries

"Now production will have to start shifting from its location in the developed world to the developing "

This, Erwin said, must be acknowledged as a "new paradigm" from which "flow a number of more technical adjustments that may be necessary in certain clauses and provisions of the WTO

"What we need to avoid is a situation where measures like anti dumping and other complex support measures get used to protect industries beyond their lifespan

"A similar argument", the minister said, "can be put forward with agriculture in Europe and the ability of Europe to continue to expand its agricultural production with the level of development and population pressure that they have"

"You can't compete with Africa, in particular, given Africa's capacity to begin growing and supplying the world with agriculture "

Erwin said SA would not be challenging the "concept" of antidumping and countervailing duties as a tool that countries could use to combat imports that were genuinely unfairly traded

"We are, however, going to have to look at the precise utilisation of the mechanism

"SA has used many dumping actions, but we are conscious in doing that, that this might be a question that needs to be addressed and adjusted in the WTO "

Mass action over job losses planned

Pearl Sebolao

METAL industry workers are planning mass action in the next few weeks to protest against job shedding, which will see 6 000 workers dismissed this month

However, the mass action will stop short of a full-blown strike

National Union of Metalworkers of SA (Numsa) president Mthuthuzeli Tom said yesterday that the action, which involves pickets, work stoppages and lunch-hour protests, will be targeted at the industry's 11 sectors

These include the engineering sector, which is expected to dismiss 2 300 workers this month

Foreign-based firms will be targeted through their embassies

Numsa reserved its harshest criticism for arms manufacturer Denel, which plans to close down three operations and retrench 900 workers in the next two weeks

Tom said the union would engage Denel in talks to seek "justifiable reasons for the job cuts

"We were made to believe that Denel would be a major player in arms industry as a result of the (R70bn) arms deal and would create of jobs," he said

Tom said government could not continue talk of creating jobs while there was no strategy to protect existing ones

Numsa dismissed explanations that liquidation, cost reductions, automation and restructuring in the industry were responsible for retrenchments It blamed lack of vision and profit-chasing by employers, as well as government's failure to put in place an industrial strategy policy

The union said it would push for tariff reductions to be linked to policy so that their implementation and impact could be controlled

It would also support the Congress of SA Trade Unions' (Cosatu's) call for government to amend the Labour Relations Act to make retrenchment a compulsory negotiating matter

Cosatu, which has lodged a section 77 notice at the National Economic Development and Labour Council (Nedlac) as part of its campaign to "end the jobs bloodbath" will engage organs of civil society to seek a solution to job losses

Section 77, which is contained in the act, enables Cosatu to declare a dispute within Nedlac processes on socioeconomic issues

(189) BD 15/10/99

SOWETAN Monday October 18 1999

6 000 workers to lose jobs

(189)

Sowetan 18/10/99

By Mzwakhe Hlangani
Labour Reporter

HOSTILE relations between the labour unions and employers in the metal, aluminium, engineering, motor and tyre sectors will continue to sour as long as the ailing industry sheds jobs the unions have said

According to the National Union of Metalworkers of South Africa (Numsa), an average 2 300 jobs were being lost every month

Numsa president Mr Mtutuzeli Tom said over 6 000 workers were to be retrenched by various companies this month

Tom told a press briefing in Johannesburg that 11 major companies in the various sectors, had notified the unions about the retrenchments These include arms manufacturer Denel, the Steel Engineering Industry Federation of SA, Firestone Tyre Manufacturers and the motor retail and component manufacturing companies

He warned of mass action since most companies had cited reasons for retrenchment as inability to maximise profits, cost reduction, automation, restructuring and liquidations

Steel Engineering Industry Federation president Mr Louis van Niekerk has indicated that local manufacturing industries faced major challenges in both penetrating new export markets and in coping with international competition within domestic markets

He said job losses were on the increase because of the flood of imports in the market caused by relaxation of protective trade barriers

The country is perceived in the international arena as a soft target for surplus or dumped products

The positive development is that employers and unions in six major industries have set up a policy forum to jointly take urgent steps to limit the damage inflicted on local manufacturing industries, Van Niekerk said

Numsa steel engineering co-ordinator Elias Monage added that tariff reduction, linked to lack of co-ordinated industrial policy plans to boost jobs created worse problems for efforts necessary to stem the job losses

Tom said job losses in the metal industry had been severe, with 300 000 jobs having been shed since 1987

Lunch-hour protests, pickets and work stoppages have begun at Denel since the company announced it will retrench 900 employees at the end of the month Demonstrations will be intensified and culminate in a national strike announced by the Congress of South African Trade Unions (Cosatu) early next year

Foreign-based manufacturing companies will be targeted through their embassies as they were often cited by employers as the cause fof profit losses, he said

Numsa protests against job losses

(189)

FRANK NXUMALO

LABOUR EDITOR

Johannesburg – Close to 600 National Union of Metalworkers of South Africa (Numsa) members at Vecktor, a subsidiary of arms manufacturer Denel, held lunch-hour demonstrations to protest against the company's retrenchment plans that could result in all of them losing their jobs, the union said yesterday

Numsa said the company had cited the manufacture of pistols by some European countries as the reason that had triggered the planned retrenchments

The union said it was ironic for Denel to think of retrenchments when the state had continuously emphasised the positive spin offs for employment creation to the tune of 65 000 new jobs that would flow from the recent R21 billion arms package

Numsa said the state must take full responsibility if jobs were lost as a direct result of the arms deal

"The government is reneging on its commitment to save jobs in the arms industry Employment in South Africa is at its lowest point in 17 years," said Dumisa Ntuli, the spokesman for Numsa

"And we therefore expect the government to reciprocate on the resolutions of the last year's Presidential Jobs Summit to create more jobs"

Ntuli said the retrenchments meant the union would lose close to 6 000 jobs this month He said job losses at Denel would escalate the retrenchment rates in the metal industry, which has lost almost 14 000 jobs in six months

Ntuli urged Denel to enter into "vigorous negotiations" with the union to arrest job losses

Denel could not be reached for comment

CT (POR) 21/10/99

Numsa issues strike threat at Billiton

(189)(152)

FRANK NXUMALO

LABOUR EDITOR

CT(BR) 22/10/99

Johannesburg – The National Union of Metalworkers of South Africa (Numsa) yesterday served notice on Billiton's Alusaf aluminium plant in Richards Bay about its intention to strike over wages.

Numsa said the company had applied for an interdict in the Durban Labour Court to restrain about 1 000 employees from embarking on the strike

"The deadlock arose out of management's decision to unilaterally change the wage policy in 1996 and offer other workers an increase in 1999," Numsa said

"The company has changed the wage policy without consulting with workers The new workers were given R10 less per annum than the previously employed workers."

The interdict hearing is scheduled for Monday Alusaf management said contingency plans had been put in place "to keep production going"

Dumisa Ntuli of Numsa said. "Numsa has filed an application to oppose the interdict (because) the union believes the refusal of the company to accede to the wage demand in these circumstances was unfair

"Numsa is greatly disappointed that the company changed the conditions of employment unilaterally. Even the small steps the union has taken to democratise the company has produced a backlash Employers continue to flout it"

Ntuli said Alusaf workers had the right to seek dignity via collective bargaining He reaffirmed Numsa's commitment to fight for full recognition at the plant.

"The fundamental role of the company is to be instrumental in developing good relations with the workers. The company cannot abrogate its responsibilities to set standards to protect the workers," Ntuli said

A killer in our sights

(189) mtG 22-28/10/99

Every 20 seconds a child somewhere in the world dies of malaria Last week the governments of South Africa, Mozambique and Swaziland joined forces in an ambitious anti-malaria drive **Mark Honigsbaum** *reports on the race by scientists to find a vaccine*

Grim history: In the past 15 years malaria has killed nearly 50-million people worldwide Aids has killed five million. PHOTOGRAPH DENNIS FARRELL/AP

Every six months Dr Stephen Hoffman a captain in the United States navy, enters an insectary swarming with irradiated mosquitoes and allows himself to be bitten repeatedly on the arm

A few days later he repeats the torture until he is sure he has received more than 1 000 bites. Then, and only then is it safe for him to travel to the front zone of the navy s war against malaria — countries such as Kenya and Ghana where *Plasmodium falciparum*, the deadliest form of the disease, is rampant

Hoffman s behaviour may appear bizarre, but as the malaria parasite has become resistant to conventional drugs such as chloroquine and mefloquine (Larium) the treatment is the surest protection against the disease — and one scientists believe holds the clue to the holy grail of malaria research. development of a vaccine.

Next month the World Health Organisation (WHO) launches a major initiative to encourage pharmaceutical companies and scientific institutions to plough more money and resources into an effective anti malarial agent for the 21 century

Bill Gates, Microsoft software mogul, has donated $50 million to help develop a vaccine for malaria, and the World Bank is expected to follow suit The concern is driven by the fact that, because of global warming and the collapse of public health programmes in developing countries, malaria is again becoming a scourge. In the past 15 years it has killed nearly 50 million people worldwide (Aids has killed five million) This year malaria will account for two million deaths, most of them children in sub-Saharan Africa

In addition, mosquitoes are plaguing Florida and, more recently, New York, and the World Wide Fund for Nature predicts the falciparum strain could soon be in southern Europe. One of the reasons malaria is such a killer is that children who survive a first bout often do not survive a second. Even those who grow into adulthood will develop only partial protection against the disease.

But if the prognosis for natives of malarial regions is grim, it is even worse for tourists and troops visiting the tropics. Chloroquine, the prophylactic of choice since the war, is now only 30% effective in many regions while mefloquine-resistance, first noticed on the Thai-Cambodian border, is spreading to other areas of South East Asia

'In Vietnam we lost more casualties to malaria than to bullets. It was the same in Somalia during Operation Restore Hope says Hoffman ' To be effective in combat, we have to develop something that works against malaria not just today or next week, but long term "

The point where Hoffman's concerns and those of other scientific researchers coincide is in the hunt for a vaccine that ideally, would be both a prophylactic for marines and a cure for African children already infected.

There is nothing new about Hoffman s ' irradiated mosquito" treatment It has been known since the mid 1970s that infection with irradiated mosquitoes carrying the cerebral malaria parasite provides full protection against the disease, but only for a limited time, hence Hoffman s need to "re-inoculate" himself every six months.

Essentially, the treatment works by giving patients a weakened form of the disease that allows malarial sporozoites to reach the liver but not to develop to the second stage of infecting red blood cells — the point where patients become sick and feverish

The challenge facing researchers since has been to develop a vaccine that mimics the irradiation effect through biological and chemical means, or a combination of both. But the malaria parasite is a formidable foe — it has a thousand times as many genes as HIV — and defeating it takes time and money.

The result is that, although scientists as far afield as Oxford, Melbourne and Bogotá are keen to claim that their approach offers the better hope of developing a vaccine, there is a fair degree of caution "If everything goes well for the leading candidates, there could be a vaccine available in the next 15 years," says Dr Howard Engers, of the WHO's vaccination development programme. "But it would be a mistake to be overly optimistic."

'To be effective in combat, we have to develop something that works against malaria, not just today or next week, but long term'

At present the vaccines fall into one of three categories sporozoite or protein recombinant based, DNA-based or a combination of the two. Pioneering work on sporozoite-based vaccines began at the Walter Reed Army Institute of Research in Washington DC — not far from Hoffman's Naval Medical Research Centre in Bethesda, Maryland.

Having observed the way irradiated sporozoites blocked the disease, army doctor Ripley Ballou tried engineering the same effect biologically, then exposed himself, Hoffman and colleagues to malaria to see if it would offer protection With the exception of one member of the team the vaccine failed, but some team members exhibited elevated anti body levels, suggesting that protective immunity was possible.

The Walter Reed Institute has since developed ever more sophisticated vaccines based on the sporozoite model, culminating with RTS, which in a small scale trial in 1997 prevented six out of seven test patients developing malaria

Walter Reed is now conducting wider trials in Ghana in co-operation with SmithKline Beecham in Belgium, the results of which are expected in December. But, although the vaccine is at a more advanced stage than its rivals, it seems to offer only short term protection

Walter Reed is exploring a more sophisticated version of the vaccine, MSP-1, which aims to boost the body's immune response by mimicking the action of the parasite at the merozoite stage, the period about 12 days after infection when young parasites burst from the liver to infect red blood cells.

In contrast, Hoffman's navy team is pursuing a more scattergun approach, using portions of malarial genes to trigger the same immune response by programming muscle cells to make malaria proteins The advantage of the DNA approach is that in theory the vaccine can be tailored to be as complex as the parasite itself, training the body to recognise the parasite at every stage of its life cycle and defeating its ability to evolve.

The problem is that the technology is still in its infancy and has had to pass rigorous tests before it can be trialled more widely.

Last year Hoffman's team immunised 20 healthy volunteers with a malaria DNA vaccine, triggering "killer T cells" and established that the vaccine could be tolerated in principle. Next month it is moving to the more critical stage of live trials on four separate groups of volunteers using a vaccine based on five genes that encode proteins expressed by irradiated sporozoites in liver cells.

Another approach is to combine a DNA vaccine with a follow up "booster" vaccine made by combining a virus such as smallpox with a portion of the malaria parasite.

Using this method Dr Adrian Hill, professor of human genetics at the Nuffield Department of Medicine, Oxford, has developed a vaccine known as MVA. "It is aimed primarily at children in the first year of life in areas where malaria is endemic, but it could work for travellers too," he says Trials started last year and have a long way to go.

In a bid to speed up research and encourage more partnerships, this coming year the Program for Appropriate Technology in Health (Path), a Seattle-based non profit organisation, launched the Malaria Vaccine Initiative. The idea is to use Gates's $50-million donation to direct resources to the best vaccine candidates and to fill in the gaps left by drug companies According to Path, the goal is nothing less than a vaccine that is safe inexpensive, easy to use and, administered in infancy, confers lifelong immunity against all strains of the disease.

' The private sector has failed to place a sufficiently high priority on malaria vaccine development — perhaps because the perceived technical risks are too great and the perceived markets are too difficult " says Gordon Perkin, president of Path. "From a public health point of view, however, the situation must be remedied."

With a child somewhere dying of malaria every 20 seconds, even a vaccine that guaranteed short term protection would be welcome.

But for Hoffman and his navy research team only lifelong protection will do "As far as we are concerned military people can't get malaria at all."

STEEL *CEO says pressure should ease up in the second half*

Iscor profit decline continues

(189) CT(BR) 2/11/99

ROY COKAYNE

Pretoria – Iscor, the listed minerals company, expected to show a loss in headline earnings for the first half of its financial year, said Hans Smith, the company's executive chairman, in Iscor's latest annual report

Iscor's headline earnings in the year to end June this year declined by 48 percent to R377 million, or to 14,7c a share

Smith said the operating margins in the company's steel business would remain under pressure for the first half of the current financial year but should improve significantly in the second half

He said Iscor's mining operations should continue to post further earnings improvements "These results are expected to offset our share of the Saldanha Steel project loss for the coming year"

Louis van Niekerk, the managing director of Iscor Steel, said the company's 50 percent equity-accounted share in Saldanha Steel's losses could be as much as R500 million But he said Saldanha Steel had already demonstrated an ability to produce and sell quality steels It was fortunate to be coming into production at the start of the commodity cycle upswing

UNDER PRESSURE *Hans Smith expects mining earnings to offset Iscor's share of the loss from Saldanha Steel*

Smith said the commodity cycle bottomed out during the second half of Iscor's past financial year and steel prices had started to recover on the back of the Asian revival

However, Smith said the scale of the commodity cycle upswing and the performance of the South African economy were "uncontrollable factors that will determine our earnings improvement and cash flow over the next few years"

Van Niekerk said the price of hot rolled coil exports was up 9 percent on the quarter to June. He expected this to improve by a further 4 percent in the quarter to December

He said the debate about dumping was still on the agenda South Africa had recently been cited by the European Union and the US

"Although these are important markets for Iscor, the strengthening in Asia has provided opportunity to move volumes to that region if needed," van Niekerk said

BD 4/11/99

US slaps a preliminary 16,7% dumping duty on Iscor

Simon Barber (189)

WASHINGTON — The US commerce department has slapped a preliminary 16,7% dumping duty on Iscor's single largest export to the US, cold-rolled steel, after complaints by US competitors and their unions that the product was "unfairly traded" here

The duty reflects the difference between what the department believes Iscor charges its domestic customers and the lower price, adjusted for shipping costs, it has been offering American customers

The US industry petitioned for protection against imports of cold-rolled steel from SA and 11 other countries last June The US International Trade Commission ruled in July that the cases had merit because US firms were being harmed by the imports

The commerce department this week announced duties on steel from seven of the 11, with decisions on the rest due later this month The penalty on Iscor was the lowest thus far Russian producers were hit with the highest duties, 177,6%

Duties placed on cold-rolled steel from Argentina, Brazil, Japan, Thailand and Venezuela ranged between 25% and 80%

Iscor's sales of cold-rolled steel to the US, worth $56,5m last year, have already collapsed, falling to about $18m in the first eight months of this year, compared with $43,5m over the same period in 1998, according to the trade commission's database

Although the new duties are preliminary, they still have to be paid into an escrow account pending a final ruling by the commerce department, which in turn has to be confirmed by the trade commission scheduled to be delivered next March

SA steel, though representing a tiny fraction of US imports, has repeatedly been a target of US antidumping action over the past few years

SA is part of a movement to change the World Trade Organisation's rules to make it more difficult for the US and developed countries to use their dumping laws for purely protectionist purposes The US says it will oppose any changes in the coming Seattle round of international trade talks

(189) Sowetan 22/11/99

Iscor's restructuring plan 'flawed'

By Mzwakhe Hlangani
Labour Reporter

ISCOR's much-awaited restructuring plan relating to corporate management appointments is flawed and deliberately ignores Employment Equity Act requirements, says the National Union of Metalworkers of South Africa

The union's steel engineering sector coordinator Mr Osborne Galeni said the restructuring process in the steel manufacturing parastatal lacked credibility and opposed transformation since blacks were marginalised in executive and middle management appointments

But this was dismissed by group industrial relations executive Mr Abe Thebyane He said the company had consulted at great length with the majority representative unions in implementing its restructuring exercise and will continue to do so in future

Thebyane gave assurances that the company would be in full compliance with the Governments' equity requirements, adding that they had consulted fully on equity issues with all employees through their respective unions

Numsa spokesman Mr Dumisa Ntuli also laid the blame for inadequate product quality at the door of the restructuring process, saying failure to deliver better quality is a clear indication that management performance could not reach optimum product efficiency Iscor group communication executive Mr Phaldie Kalam said the company had achieved substantial cost savings and had improved productivity to the extent that certain of its operations, due for closure, were now operating profitably

The company had used world-renowned consultants to establish international benchmarks which need to be achieved for the company to compete against major competitors

Numsa says funeral-goers face disciplinary action

CT(BR) 2/12/99 (189)

Frank Nxumalo
LABOUR EDITOR

Johannesburg – Almost 2 000 Highveld Steel workers allied to the National Union of Metalworkers of South Africa (Numsa) faced disciplinary action, including possible dismissals, for attending the funeral of a colleague who died in an explosion at the factory, the union said yesterday

Numsa was disappointed that the company had decided to institute disciplinary procedures without first investigating the matter "The company must be blamed for not being sensitive to the death of a worker because it has prime responsibility for ensuring that the workplace is safe and no harm comes to workers during the course of their employment," said Dumisa Ntuli, the Numsa spokesman

"We also believe the company cannot discipline workers for raising their dissatisfaction with poor health and safety measures

The company has done nothing to improve occupational health safety and protect workers from exposure to harmful substances"

The claims by Numsa are totally inaccurate, according to the company

But Highveld dismissed Numsa's allegations as untrue "The claims by Numsa are totally inaccurate," said Herman Cochius, the company secretary

The union said it was concerned that no preventive measures had been taken against the recurring mould explosions at the plant and that labour relations were in a chaotic state It said that in many circumstances workers were provoked by management to act emotionally and in an undesirable manner

Numsa denies arms deal payoff

Claims of R40-m for shop stewards dismissed as 'lies and fabrication'

ARG 1/12/99 (189)

CHARLES PHAHLANE
PARLIAMENTARY BUREAU

The National Union of Metalworkers of South Africa has rejected allegations that it was paid R40-million to influence the granting of British Aerospace parts of the lucrative R29-billion arms acquisition package

Mr Terry Crawford Brown, spokesman for the Coalition for Defence Alternatives said British police were investigating a claim that British Aerospace the company which won the tender to supply jet trainer aircraft, had paid R40-million to Numsa via two Swedish trade unions

The money, allegedly paid in the guise of aid to the trade union, actually went to shop stewards, Crawford Brown said In return the union leadership was expected to help convince the Government to go ahead with the controversial deal.

Numsa spokesman Mr Dumisa Ntuli said the allegations were "lies, fabrication and a gross exaggeration" He said the union had a relationship with a Swedish union dating back 10 years

The Swedish union was planning to establish an industrial training school for Numsa. The funds would not exceed R10 million and no money was being handed to any shop steward.

"Numsa wants to say that the allegations are a fabrication and grossly exaggerated They are rumours to tarnish the image of Numsa," said Mr Ntuli

He said Pan Africanist Congress MP Patricia de Lille, who revealed the allegations in September, was like the Biblical character Delilah, who misled Samson.

Ms De Lille said yesterday that since the allegations were published, information had been "pouring in" She did not have enough resources to investigate and about seven boxes of documents had been handed to the Heath Investigation Unit.

She refused to disclose names of the ANC MPs who had handed her the document containing graft allegations until the Government appointed a judicial commission of inquiry But the Government denied the allegations and refused to establish a commission until Ms De Lille revealed the names

The evidence was obtained from "concerned ANC MPs", intelligence agents connected to the ANC and overseas sources, said Mrs De Lille

Mr Crawford Brown admitted that some of the information had been received from local and foreign companies which had lost out on the lucrative deal, but said that did not detract from the value of the evidence

"It is sour grapes, to an extent, but that is what you could expect "

In a statement endorsed by several non governmental organisations and church groups, Ms De Lille said the alleviation of poverty should take precedence over weapons of war and that allegations about corruption during the arms deal should be fully investigated

Numsa outraged by Kelvinator done deal

JOHN FRASER

Johannesburg – The National Union of Metalworkers of South Africa (Numsa) last night demanded a reversal of the decision to sell the assets of Kelvinator, the consumer appliances company, to Defy, the Durban based white goods manufacturer.

This followed Monday's announcement by Defy, confirmed by the liquidators, that the assets of Kelvinator had been sold for R8,5 million

Numsa last night expressed outrage that the Defy bid was accepted in preference to a bid from an unnamed Chinese interest

"Numsa is worried about the whole Defy deal," said Dumisa Ntuli, the union's spokesman.

"Around 700 workers will lose their jobs, and we don't believe that this deal is legitimate "

He added that Numsa had appealed to the liquidators to reverse the sale of Kelvinator assets to Defy, and was also considering an appeal to the Competitions Board.

"Defy is not serious in terms of preserving jobs in South Africa," he alleged "The whole deal is flawed."

The liquidators had said on Monday that the Chinese offer would not be formally tabled for some time, which was one reason why they had opted for the Defy offer

Ross Heron, Defy's chief executive, said last night. "It is a done deal. The liquidators went to court and won approval for our offer They are concerned about the interests of the creditors

"The best thing is to hope that there will be an expansion of the business in the future " he added

"We intend to make it a real success – but the workers must understand that they come from a business that has failed "

(189) CT (AR) 1/12/99