

ArcelorMittal SA expects to remain under pressure as production levels remain low, writes Mark Allix

Metals strike 'put major dents' in SA steel market

ARCELORMITTAL SA, the country's premier steel maker, says the four-week strike by the National Union of Metal Workers of SA (Numsa) has had a "major effect" on SA's steel markets.

The group, which supplies about 70% of the nation's steel — much of it to the building and construction industry — has been left with "significant stockpiles" that "we now need to dispatch and sell".

The economy has been dented by the five-month platinum miners' strike by the Association of Mineworkers and Construction Union, the newly powerful rival of the National Union of Mineworkers (Numsa). Media reports say an alternative union is being formed because of infighting among tripartite alliance members over who has workers' interests at heart.

With struggling markets, a weak rand and cheaper imports it is likely to mean no rest for the economy. ArcelorMittal SA said the implementation of large infrastructure projects in SA "remains slow". And there are low levels of production and investment in the mining sector, fuelled by a slow global commodities market. "In the third quarter we expect to remain under pressure," CEO Paul O'Flaherty said.

Master Builders SA, a national employers' association for the building and construction industry, said the metal strike had caused delays in projects due to the unavailability of reinforcing steel, a key component. "In addition, the financial losses suffered have been considerable and in some cases the (closure) of business is being contemplated," the body's executive director Tumi Dlamini said.

Most contractors thought the situation would normalise about nine weeks after the end of the strike, she said, but also that a shortage of reinforcing steel could extend beyond this period.

There had been major disruptions in the supply of essential building materials to "contractors already operating on



extremely small profit margins", Ms Dlamini said.

Master Builders acknowledged the right to strike but "strongly condemned the widespread intimidation, vandalism and violence" involved, and believed the government should intervene to curb "alarmingly low levels of activity in the building industry".

As the government gears up to spend R4-trillion on infrastructure in the next 15 years, there are

lessons from Eskom's new Medupi and Kusile power plants. As large, highly complex construction projects, these have been plagued by the usual technical and contractual delays, but also by labour unrest.

Construction and engineering giant Murray & Roberts said the Numsa strike had halted work on its mechanical engineering contracts at Medupi and Kusile. It said its steel fabrication facility, Genrec, had also not been "operating at all

during the strike". In advance of the strike, it had tried to accumulate stocks of building materials at construction sites to alleviate any backlogs. "But the longer the strike continued, the more those stockpiles would have been depleted."

From a cost point of view, Murray & Roberts was on a "cost-plus contract" with the Mitsubishi Hitachi Power Systems Africa consortium, "so all costs should be covered" at Medupi and Kusile.

But Basil Read interim CEO Des Hughes said some of the group's projects had "unavoidably" been affected by the strike, leading to additional costs.

"However, in most cases we correctly anticipated this, and ensured that most sites had enough stock to see them through. Had the strike, however, continued for a protracted period, the situation would have been different."

Construction and engineering



HIGH COSTS: ArcelorMittal SA CEO Paul O'Flaherty, above, delivers results in Sandton last week. Left, Numsa members march in Johannesburg last month during the strike that Mr O'Flaherty said had a 'major effect' on the steel maker. Pictures: MARTIN RHODES, SOWETAN

major Group Five said its steel business was severely affected by the Numsa strike. It also saw a "high level of absenteeism" at its factories, witnessing "significant and ongoing intimidation of its workforce to stay away from work".

CEO Mike Upton said the group had mitigated some supply risk by oversupplying steel to "most of its construction sites" in the period before the strike.

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