

ELECTRIC CONDUCTORS :

STATE OF THE INDUSTRY

Local

Supply and demand in the local cable industry fluctuates according to the infrastructure development taking place. Although South Africa spent billions to upgrade and expand the country's infrastructure prior to the 2010 World Cup, there is still considerable infrastructure development taking place in the country. In his 2013 National Budget Speech, the Minister of Finance Pravin Gordhan stated that government had spent R642bn on infrastructure over the last three years. R827bn would be spent over the next three years in the following areas.

- Building/construction – to build schools, hospitals, clinics, dams, courtrooms and prisons.
- Transport - construct better bus commuter rail and road links as well as new ports, pipelines, water-transfer schemes and various airport upgrades.
- Telecommunications – In 2012, 7 000 new fibre-optic cables were laid by the private and public sector. The plan is to achieve 100% broadband internet penetration by 2020.

EXPORTS GLOBALLY

Although the market for insulated wires and cable in the US accounted for almost US\$20bn in revenue, over the last five years the demand for wire and cable has decreased globally. This can be attributed to the global recession, the general decrease in building activity, a decrease in corporate investment and the overall slowdown in industrial activity. However, according to Frost & Sullivan, improving economic conditions and growth in construction and infrastructure activities and a shift toward the use of higher-performance materials, especially in the power and communication cable segments, is expected to result in increasing demand for cables. Globally the demand for energy and communications infrastructure is growing and the drive to upgrade and expand power utilities and infrastructure networks is expected to result in the world spending about US\$16.5-trillion on this expansion over the next 25 years. In China the government's efforts to improve the country's power grid are also expected to be the main driver of demand for power wire and cable in China. The country, which has plans to establish a strong network of ultra-high voltage power transmission by 2020, has already surpassed the United States to become the world's largest wire and cable manufacturer. In 2012 Chinese output accounted for more than 25% of global wire and cable production, reaching a value of more than US\$1-trillion. However, quality authorities have urged Chinese wire and cable companies to step up efforts to promote advanced technologies to improve quality, instead of only expanding capacity. According to Wei Chuanzhong, Vice Minister of the General Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), "Some wire and cable products still fail to reach quality standards, which may endanger people's health and public safety." He added that electric fires accounted for about 80% of severe fire hazards in China annually and more than half of such fires were triggered by the use of substandard electrical wire and cable products. According to a four-month quality inspection conducted by the administration in September 2012, 208 batches out of 1,762 batches of electrical wire and cable products randomly selected from 10 provinces, were substandard.

It is estimated that £30m worth of counterfeit electrical products reaches the United Kingdom (UK) annually and about 20% of all fires in the UK are caused by electrical installations, with a significant number of these being caused by faulty electrical cables. The issue of counterfeit cables is of major concern in Europe. In March 2013 French customs seized more than 120,000 reels of counterfeit electric cable, believed to have originated with a dealer in Hong Kong. The counterfeit cable was crafted to appear as copper cable but was created with an iron alloy, which the Directorate General of Customs and Excise deemed as “highly flammable and of poor quality.”

GOVERNMENT SUPPORT

In February 2013 the DTI announced that the designation of electrical and telecommunication cables for local production and content would form part of the public-sector procurement system. The designation policy instrument is one of various policy levers designed to increase support for domestic manufacturing. In May 2013 the designation was signed off and according to CBI Electric telecoms commercial director Mieke Dames, this will result in considerable advantages for the industry. “If Telkom, Eskom, Transnet through the signalling project, local municipalities and state owned enterprises procured from the domestic industry, it will secure a base load for local manufacturers. This will mean we can sustain our employment but also then start to attack export markets and grow the industry.” He added that if the industry could secure supplying cables to the public-sector, it would be able to continue employing the many technical experts who had left Telkom. Although the building and construction sector, which constitutes 50% of Aberdare Cables’ business, was generally flat during 2012, the company’s business has remained constant and there has been growth in cable demand, primarily from the mining industry and for Eskom’s electrification projects.

In an Engineering News article, Aberdare CEO designate Keith Edmond stated that the company intends manufacturing high-voltage (HV) cable because of the growth in demand in South Africa and the rest of Africa. According to Edmond, the market for extra-high-voltage cabling above 132 kV for infrastructure grids and power stations has become more consistent, while the demand for underground cabling is also gaining ground, particularly as it is more environment-friendly than conventional overhead lines. He noted that while the industry had not been very profitable over the past three years, Aberdare believed there would be a good return on investment over the short to medium term.

CBI-Electric: Aberdare ATC telecom cable also reported that the telecommunications cable operation again experienced a disappointing first six months for 2013, mainly due to low demand for copper cable from Telkom. Production at CBI-Electric was also affected by the strike within the port and transport sector in October 2012, which caused delays in the delivery of raw materials. Aberdare Cables increased its production capacity by 25% over the past ten years and according to Aberdare’s Annuity Executive, Siphithi Sibeko, the company is gearing up to supply specialist cable and associated cable accessories to meet the requirements of South Africa’s national Integrated Resource Plan (IRP 2010 - 2030). The IRP aims to provide an additional 9600MW of nuclear energy, 6300MW of coal-based energy, 17800MW from renewables and 8900MW of other generation sources into the national power grid by 2030.

Aberdare's product development team has been working on the development of specialist cable systems designed to meet the needs of the new green technologies.

TARIFF PROTECTION

Imports from China and India continue to threaten the cable industry, which is subject to the free trade agreement between the South African Development Community (SADC) and the European Union (EU). These agreements have impacted on the percentage of imports into the South African market, as duties have either been withdrawn, or are progressively being reduced. There has been concern that SADC free trade might lead to 'indirect dumping' which entails the import of dumped cable components in a neighbouring country that will then receive some finishing and be exported as finished cable to South Africa. According to a respondent, imported product from China and Brazil is often cheaper than the cost of the raw materials purchased by South African manufacturers. The Producer Price Index (PPI) measures changes in the prices of locally produced commodities. A sample of producers is surveyed every month and the results of this survey are used to compile the producer price indices for final manufactured goods, intermediate manufactured goods, electricity and water, mining, and agriculture, forestry and fishing. Below is the Producer Price Index for imported commodities, specifically Insulated Wire and Cable.

EQUITABLE EXPORT OBLIGATIONS

PRODUCT

Product and code	Trading partners - Top five	*Barriers to entry -		*Trade Agreements	Key role players(KZN)
	USA	*Tariffs Applied (A)	Total ad valorem (TAV)	*No n-Tariffs	
H854449	China	0%	0%		General Cable Phoenix SA
Electric conductors, nes 80volts, no connectors	Japan	0%	0%		
	UK	20%	20%		Phoenix Power cable.
	Netherlands	0%	0%		

***detail information available on macmap.org.za**

FUTURE OUTLOOK

Adequate energy infrastructure is a global issue and South Africa like the rest of Africa is not only expanding its energy infrastructure, but is also building new telecommunication networks. These sectors require reliable long-life cable and companies in the wire and cable sector are optimistic that they are well positioned to capitalise on growing demand locally and throughout Africa. However, like all other manufacturing sectors, the challenge for companies in the sector in the current volatile economic climate is to ensure that operations remain cost effective.