

SA is selling sub-standard cement say manufacturers

Local cement manufacturers maintain that importers are bringing sub-standard and underweight bags of cement into SA.



However, the National Regulator for Compulsory Specifications' investigations into the quality of imported cement has revealed that the incidence of non-compliance is too low to be of concern.

In fact, it has sent a directive to a local cement manufacturer (as yet unnamed), after a sample from its plant was found to be in breach of the standards.

Though local companies are constantly appealing the the regulator to investigate non-compliance with SA quality standards, the regulator believes the accusations are unfounded. It says the incidence of non-compliance of imported cement is between 7% and 8%. Underweight bags seem to be a bigger problem. Compared with the general failure rate of between 11% and 31% for all prepackaged products in SA, this is small.

But local producers remain adamant that standards are being breached.

PPC's chief executive Ketso Gordhan says his firm has conducted its own tests and collected evidence of wrong-doing, which it will present to the regulator. PPC also intends to file an antidumping charge against importers.

The company has conducted random test on imported cement. A significant percentage of what it has tested is of inferior quality, or the bags are underweight, says Gordhan.

Lafarge SA has also indicated that it would consider approaching the International Trade Administration Commission of SA (Itac) to protect the local market from cheap imports.

Imports

Cement from countries like Vietnam and Pakistan gained about 6% of SA's market by the end of last year, giving established producers such as PPC and Lafarge something to worry about in an environment of already low demand.

Imports mostly affect KwaZulu Natal because the biggest volume comes through Durban. Port Elizabeth and Cape Town also receive small amounts of imported cement, but not enough to affect sales in those regions.

Though complaints from local manufacturers have increased substantially, there is speculation that they are driven by the threat that imports will expose the market dominance of local players.

In the lead-up to the 2010 soccer World Cup, when cement demand soared, local manufacturers imported cement from the same manufacturers they now accuse of flouting local standards.

With the dramatic drop in cement demand after 2010, those relationships soured.

In a court case in 2011, importers of Pakistan's Lucky Cement accused local manufacturers of bringing applications to the regulator to protect their monopoly of the SA market.

Last year, an investigation into Lucky Cement found no evidence of non-compliance regarding quality. But it did find bags that were considered to be underweight, which the regulator says has been corrected.

Gordhan believes the regulator has capacity problems. If it has not assessed the quality of PPC's cement, he is sceptical of its ability to evaluate the quality of cement that is imported. He says it is in no position to test all imported products.

Says NRCS legal metrology executive Jaco Marneweck: "We recognise the seriousness of this situation. We respond to each complaint we receive and will continue to follow up on all cases of non-compliance."

Cement inspections

Legal metrology is one of the two divisions of the regulator that conduct cement inspections. The chemicals, mechanical and materials division (CMM) is the other; it conducted 157 inspections between August and December 2012. These include proactive investigations by the division, as well as those initiated when a complaint is filed.

CMM acting inspection manager Rhoda Mbukwane says about five cases of non-compliance were uncovered. These are under further investigation.

In one case, a complaint was lodged about the quality of two brands of cement imported from Vietnam. The case is awaiting a final test report, but the cement was confiscated based on evidence of a breach.

The CMM also uncovered a case of non-compliant cement that entered SA through Port Elizabeth. Mbukwane says they are awaiting final test results.

One batch of cement imported from India was found to be underweight, and Marneweck says the importer was prevented from selling the batch until the bags were refilled and retested. Another batch from Pakistan was treated similarly.

The NRCS will apply the same rules to everyone, meaning locally produced cement as well as imported cement, says Marneweck. Last year it declared cement to be a "high-risk" product, giving it the ability to station its inspectors at ports.

It has also worked with the SA Revenue Service to strengthen its enforcement at the Durban port.

Despite the concern of established firms, newcomer Sephaku Cement, which will begin producing at the end of this year, is less pessimistic. Chief executive Pieter Fourie believes the inland region, where Sephaku's first plant is being built, offers good competition. Sephaku won't be as exposed to imports as other manufacturers, he says.

He says imports are not sustainable in the long-term. Exchange rates and shipping costs (which are currently low) are volatile. In addition, domestic demand in or near the country of origin will determine the future availability of imports.

Source: *Financial Mail* via I-Net Bridge

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