

Build Trends

May 2010 | Issue 117



AfriSam launches high performance, environmentally-responsible cement



SA economy picks-up with 4.6% first-quarter growth



Lacklustre growth in building plans passed continues into March



Chinese investing in Southern African cement industry

Macro-economic trends impacting on construction industry

Encouraging recovery in GDP growth.

South Africa's gross domestic product (q-o-q seasonally adjusted annualised growth) grew by 4.6% in the 1st qtr of 2010. This is its highest level in seven quarters, from 3.2% in the 4th qtr of 2009 and a low point of -7.4% in the 1st qtr of 2009. On a y-o-y basis,

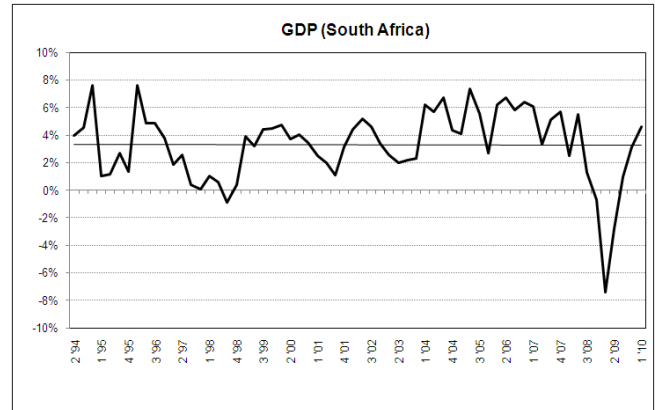
growth in GDP rose sharply, to 1.4% in the 1st qtr, from -1.6% in the 4th qtr of 2009. This represented the first positive y-o-y growth rate in five quarters.

The outcome was slightly above consensus expectations, although a significant improvement had been generally expected on account of application of the improvement in monthly data in mining and retail trade in the first three months of the year. The recovery in mining output is attributed by Stats SA to greater demand for coal, although a sharp pickup in platinum group metals (PGM) production in March also helped. It is interesting to note that the primary sources of acceleration in GDP growth in recent quarters have been agriculture and mining, followed by the secondary sectors. By contrast, the tertiary (services) sectors, which had been growing fastest over the longer term, have witnessed the least acceleration in growth. One interprets this to illustrate the extent to which the South African economy's growth performance has come to depend upon the global economy and in particular the demand for minerals and processed minerals and agricultural products. Whilst the sharply higher 1st qtr GDP growth figures entrench the view that 2010 economic growth domestically might well reach 3% or even exceed this, one needs to be cognisant of the fact that the magnitude of the improvement in 1st qtr growth was a function of specific statistical factors which might not be repeated. In other words, the figure might turn out to be the high point in the present phase of economic recovery.

GDP growth for the remainder of the year might be slower than the first quarter's 4,6% growth, as a number of price increases, including electricity, water, rates and taxes, could slow the economic growth somewhat. From a medium to longer term perspective, the sustenance of growth at 3% or more depends very much on the ability of the global economy to continue growing as rapidly as it has been doing more recently. Given the build-up of public debt to extricate the global economy from recession, one cannot be sure that brisk global growth will indeed be sustained. From monetary policy perspective, these latest growth figures entrench the view that interest rates will not be reduced in the foreseeable future. At the same time, there is not yet sufficient evidence of improved growth or a build-up of inflationary pressures to warrant a rise in interest rates in coming months.

While the country's GDP had grown in the first quarter of the

year, the unemployment rate also increased quarter-on-quarter, pushing the jobless rate back over 25%, with 4,31-million people unemployed. The Finance Ministry urged both the private and public sector to do more to restructure the economy to create more jobs, particularly for the youth. "It is vital that the growth potential of South Africa is increased to ensure both sustainable job creation and development," it said in a statement.



Source: *Econometrix*, 25 May 2010; *Creamer Media's Engineering News*, Chanel de Bruyn, 25 May 2010, Stats SA, *Global Insight*

The South African Chamber of Commerce and Industry's (Sacci's) business confidence index (BCI) continued its steady recovery in April, rising by one point month-on-month to 84,2 points.

April's figure was 2,8 points higher than in April 2009, with the BCI recording only its second year-on-year increase in 30 months.

Sacci noted that nine of the subindices had had a positive effect on the BCI, while four had had a negative impact.

"Domestically, there is growing support for the view that most economic indicators have advanced beyond their lower turning points. The key economic constraint remains low levels of real household consumption expenditure, which restrains stronger business activity," the chamber commented.

Sacci added that while the 2010 BCI figures have remained relatively subdued, the positive trend was expected to gain momentum mainly as a result of export-led demand and improving global economic circumstances.

"However, the public debt problems of Greece, does present the risk of contagion if not addressed decisively. Public debt management concerns in the Portugal, Ireland, Italy, Greece and Spain (PIIGS) countries have the potential to put the Euro Zone at risk and affect the global economy on a more intensive scale," it warned.

It added that, besides Greece, the other PIIGS countries were also under constant scrutiny for possible public financial default.

"Although Greece is regarded as an advanced economy, global market participants will also critically view the fiscal and public finance policies of emerging markets. Demand

for financing for public sector programmes in South Africa will be evaluated against the background of recent developments in Greece and the other PIIGS countries.”

Source: *Creamer Media Reporter*, 5 May 2010

A powerful, albeit beleaguered, section of South African business has teamed up with three of the country's largest trade unions in a bid to force government to intervene to weaken the buoyant South African currency, which rose 30% against the US dollar in 2009 and has held on to many of those gains this year.

*Manufacturing
and trade unions
call for weaker
rand.*

The strength of the rand, which together with Brazil's real and Australia's dollar was among the world's top performing currencies last year, is perceived as a barrier to industrial development and job creation in the manufacturing sector.

Nine leading South African manufacturing enterprises, including Sasol and ArcelorMittal South Africa, together comprising the so-called 'Manufacturing Circle', have already signed a declaration calling for action to deal with South Africa's "overvalued and volatile currency" and more signatories are being sought.

The Congress of South African Trade unions (Cosatu), Federation of Unions of South Africa and the National Council of Trade Unions have also signed the 'Statement of Declaration by Manufacturers and Trade Unions on industrial and economic policy interventions needed to create decent jobs.' Also a signatory to the document, which was unveiled at a joint media briefing in Johannesburg, is the National Association of Automotive Component and Allied Manufacturers.

The PG Group's Stewart Jennings said that competitive exchange rates had formed the foundation of all successful industrialisation efforts the world over. He added that there was, thus, a need to deal with both the volatility and the level of the South African unit, arguing that R9 to the US dollar would go a long way to help in reviving the embattled domestic sector.

Cosatu general-secretary Zwelinzima Vavi said that a level of between R9/\$1 and R10,50/\$1 would create the platform for reindustrialisation and would also help arrest the current trend of job letting in the manufacturing environment. In 2009, the South African economy shed nearly a million jobs across all sectors, and additional job losses were reported in the first quarter of 2010, raising the overall official unemployment rate to above 25%.

The contribution of manufacturing to the South African economy has also fallen from around 22% of gross domestic product in the early 1990s to around 16% currently, and Vavi said it would be a "disaster" if the sector were allowed to decline to a single-digit-type contribution.

Jennings called for the creation of a "think tank" to debate the mechanisms for reducing, or even pegging, the currency at more competitive levels, arguing that this could be established against a "basket" of currencies, including the

dollar and the euro. The labour movement has, for many years, called for greater monetary policy alignment with the industrialisation needs of the country and reiterated that call, this time with the added momentum of the business lobby group.

The call also comes at a time when there appears to be a greater willingness within government to engage on the issue, with Trade and Industry Minister Dr Rob Davies mentioning that government is looking at mechanisms to make its currency less volatile and more competitive. "We have agreed in government that what we need is a less volatile and more competitive exchange rate," Trade and Industry Minister Rob Davies said.

However, those closest to the country's exchange-rate policy setting processes are naturally concerned about the unintended consequences of aggressive intervention, with the South African Reserve Bank (SARB) also cautioning that any intervention to weaken the currency would probably lead to higher inflation.

Absa Capital economist Jeff Gable said that, while he had sympathy for those calling for less volatility, he felt that it would be unwise for the authorities to make any attempt at trying to set a level for the rand.

Given South Africa's lack of savings, the country was reliant on foreign inflows to cover investment shortfalls, including investments into critical infrastructure. A second problem, in Gable's view, was that any exchange rate weakening had, historically, led to significant increases in inflation, which meant that the gains were generally "short-lived". A third concern was that, there were, in practice, only a handful of countries that had been successful in managing their currencies and that success had generally been built on the back of material current account surpluses, which made these countries less reliant on foreign inflows. However, Gable said he would be supportive of interventions by the SARB that could help dampen wild currency swings, so as to create greater planning certainty for businesses.

Source: *Engineering News*, Terence Creamer, 10 May 2010

It will cost between R16,50 and R100 to use the Gautrain first-phase service between the OR Tambo International Airport and Sandton.

The Gautrain team released the fare prices for those services that will be operational from June 8. These include a train service linking the stations at Sandton, Marlboro, Rhodesfield and the OR Tambo International Airport, as well as bus routes from the Sandton and Rhodesfield stations, as well as selected parking facilities.

Commuters who combine a bus trip or parking use with a train journey will enjoy reduced rates on the bus and parking components.

Special weekly and monthly packages are also available for regular users. The system will open with two train services. The airport service will link Sandton with the OR Tambo International Airport. Airport passengers can board at any station and will pay R100 for a single train trip to the airport. All airport trains go via the Sandton station. The commuter service links all the stations, with the exception of the airport.

A single train trip from Sandton station to Marlboro station will cost R16,50, from Sandton station to Rhodesfield station R21,00, and from Marlboro station to Rhodesfield station R18,50.

An integrated single train trip, plus a single bus trip, will cost R22,50 from Sandton station to Marlboro station, R27,00 from Sandton station to Rhodesfield station, and R24,50 from Marlboro station to Rhodesfield station.

Parking at any station will cost R9,50 for the first 24 hours, or part thereof, as long as the motorist also uses the train. However, if a motorist uses the parking facility only, the parking fee increases substantially.

Commuters will access all services by means of a contactless smart card – the Gautrain Gold Card. Cash will not be accepted on the buses, trains or at the parking exit gates. The Gautrain Gold Card can be used for the Gautrain's train, bus and parking services. Gautrain Gold Cards will be available at a once-off cost of R10 from ticket offices and ticket vending machines at all stations, as well as at selected retailers. Value can then be loaded onto the cards on an as-required basis, and the cards can be re-used over and over again to pay for Gautrain services. Passengers also have the opportunity to register their Gautrain Gold Cards at a ticket office, which will enable the blacklisting of a card should it be lost or stolen. Unutilised value on the card can then be transferred to a new card.

The train and bus services will operate from Monday to Sunday between 05:30 to 20:30. Trains and buses will be available every 12 minutes during peak times (05:30 to 08:30 and 16:00 to 19:00), and every 20 minutes during off-peak times. On weekends the train service will be available every 30 minutes.

The second phase of the Gautrain system will open in 2011, linking Pretoria, Johannesburg and the OR Tambo International Airport.

Source: *Engineering News*, 26 May 2010

The Johannesburg Roads Agency (JRA) will roll out solar power to 50 more intersections over the next six months, according to CEO Dudu Maseko.

Eight interchanges were currently powered by solar panels, in a pilot research project to determine the viability of this energy form to power traffic lights. Traffic lights failed along with the Eskom power supply, causing traffic jams.

Maseko said the Johannesburg council had granted approval for the project to be expanded to 400 intersections, as part of a larger trial.

Maseko said the JRA was seeking a research grant from the Development Bank of Southern Africa to determine which products provided the optimal results.

She said it was also feasible for outdoor advertising to pay for some of the costs of the solar project, as it could be displayed between the panels' installations.

Maseko also noted that the JRA has begun a second solar power pilot project in Soweto, where some street names will be lit up using solar power.

Source: *Creamer Media Reporter*, 12 May 2010

The toll fee proposed by the SA National Roads Agency Limited (Sanral) would be equivalent to doubling the fuel price, the Road Freight Association (RFA) said recently.

"Not only this, a number of small enterprises are set to be put out of business, as government continues to target motorists and truckers as an easy source of revenue for its road infrastructure development plans," Gavin Kelly, technical and operations manager for the RFA, said in a statement.

The RFA warned of even higher inflation rates, if Sanral's plans to levy a hefty toll fee on new and future toll roads were implemented. Kelly said operators would be forced to pass the increased costs on to the consumer, fuelling inflation and leading to increases in the price of goods.

"Transport costs will increase by at least these margins and operators will have to factor in some sort of administration process within the businesses, which will incur an added cost and will be added into the transport cost paid by the customer." Kelly said once again the small and micro-sized trucking companies would be most severely affected by the high cost of toll fees. "The largest increase in real costs of transport will occur in the smaller category of vehicles - express parcels, door-to-door deliveries, supplying of smaller retailers and short-haul deliveries."

These increases ranged from between four to eight percent and would jeopardise operations. "Many of them may go out of business as a result of their tariffs being too bitter for customers to swallow." Kelly said the 25% discount banded about, but not guaranteed, by Sanral would probably be negated by the hidden administration costs that operators would incur to manage the system.

Over 40 tolls are planned across all of Gauteng's freeways from April 2011.

From Soweto to Sandton, West Rand to East, and Johannesburg to Pretoria, tolls will be situated on average every 10 kilometres.

"We are already paying towards roads with the fuel levy, licence fees and income tax," Kelly said. "Where does this money go? It definitely is not used for the very source it is collected from."

Source: *Sapa*, 28 May 2010

The y-o-y CPI inflation rate declined to a new three-year low of 4.8% in April, from 5.1% in March. This was a bigger than expected decline. Furthermore, the 0.2% m-o-m increase in CPI was the lowest in five months. Interestingly, even though there was a slight fall in food inflation, to 0.3% in April, from 0.5% in

Proposed toll fee equivalent to doubling fuel price.

April y-o-y CPI inflation rate declined to a new three-year low of 4.8%.

March, the magnitude of the decline in food inflation was not the principal contributor towards the bigger than expected decline in inflation. Closer analysis reveals that a whole host of products declined in price in absolute terms between March and April which one can attribute to the impact of the strong Rand in recent months in reducing import price pressures. The inflation rate of goods fell to just 3.5% in April, from 4.0% in March and a level of 8.7% in March 2009. Included in such categories of industries where prices fell were beverages, furniture, appliances, vehicles, books and recreational equipment. In addition, goods such as clothing and footwear and medical products saw significant declines in inflation even though prices rose slightly.

In contrast with goods, inflation of services remained unchanged at an elevated level of 8.2%, if one excludes "owners equivalent rent". This reinforces the view that the cost of services and in particular administered prices remains quite sticky and threatens to prevent inflation from falling as much as might otherwise have been the case. Although the relative strength of the economy and the recent weakening of the Rand are likely to serve as cautionary developments preventing the monetary authorities from reducing interest rates further, the greater than expected decline in inflation conversely is likely to prevent interest rates from rising any time soon and probably until well into 2011.

Source: *Econometrix*, 26 May 2010

Key indicators	2006	2007	2008	2009	FC2010	Ytd Apr 10
GDP	5.6	5.5	3.7	-1.8	2.7	4.6
GDFI	12.1	14.2	11.8	2.4	2.0	n/a
Residential	7.7	-0.3	-7.6	-9.3	2.5	n/a
Non-res	13.4	20.2	7.8	2.0	5.7	n/a
Construction	21.9	42.7	31.3	36.0	10.1	n/a
CPI	4.6	7.1	9.9	7.1	5.1	5.4
PPI	7.7	10.9	14.3	0.2	3.2	3.8
Interest rate	11.2	13.1	15.1	11.8	10.1	10.4
Exchange Rate (R/\$)	6.77	7.05	8.24	8.28	7.80	7.47
Exchange Rate (R/Euro)	8.52	9.66	12.13	11.50	10.77	10.27

Source: *Econometrix*, Stats SA, Reserve Bank
GDP is actual for 1st Q 2010

Building and construction trends

The building industry has been in a decline for some time now. Initially, the residential market fell off sharply as a result of rising interest rates and a huge increase in household indebtedness. More recently, in response to recessionary conditions throughout the economy, non-residential building plans passed have begun falling off substantially. One had hoped that the lagged impact of the 5½% reduction in interest rates between December 2008 and March 2010 might have begun instilling greater optimism into property development. However, the best that can be said is that the rate of decline slowed through to March.

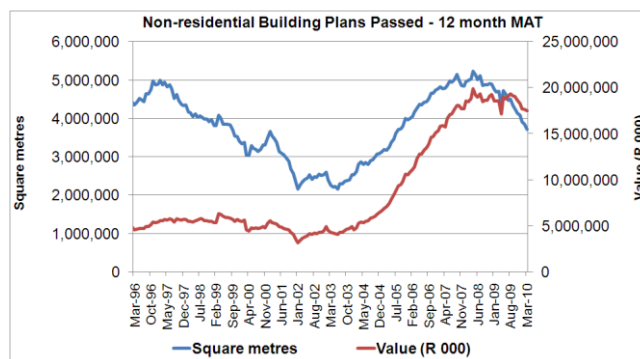
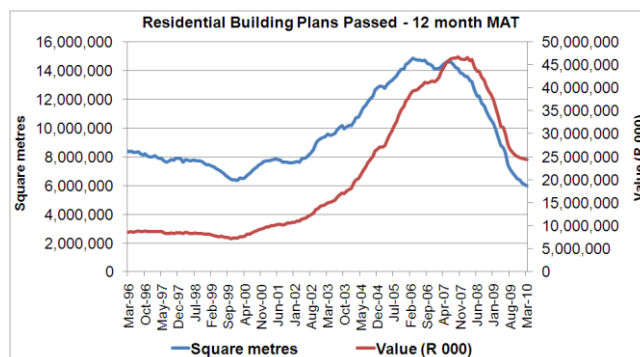
Y-o-y growth in residential building plans passed improved, from -10.7% in February, to -1.6% in March, but m-o-m seasonally adjusted growth in such plans passed remained

negative, at -0.5%. Similarly, in the case of non-residential building plans passed, m-o-m seasonally adjusted growth was also negative, at -1.6%, with y-o-y growth in such plans passed falling, from -2.7% in February, to -11.3% in March.

It would seem reasonable to suggest that growth in plans passed will gradually turn positive later in the year as the financial position of households continues to improve on the back of lower interest rates. However, one should not for any minute believe that a return to positive growth will be anything more than just that.

Reflecting the lagged impact of the dramatic fall off in residential building plans passed in 2009, growth in residential building plans completions remained very weak in March, at -34.5%, only marginally better than the -36.7% recorded in February. By contrast, non-residential building completions saw growth improving to 4.7% in March, from -45.3% in February. One must remember that growth in non-residential building plans passed remained positive for much of 2009 and so actual building work in that segment of the market is still reasonably active.

In the wake of the steep decline in interest rates, one could well see growth in building plans passed gradually turning positive over the second half of 2010. However, at no stage should one expect a return to the kind of growth witnessed earlier in the decade. Constraining a return to growth of such a nature is the fact that household debt to disposable income remains extremely high even though it may be off its peak of two years ago. Just as in America, growth in housing starts is quite mediocre because of the huge increase in household indebtedness over the past decade, so too is this the case in South Africa.



Source: *Econometrix*, 20 May 2010, *Stats SA*, *Global Insight*

The treasury of KwaZulu-Natal's (KZN's) provincial government has set aside a total of R11,09-billion for capital expenditure for infrastructure development in the 2010/11 financial year, 49% being earmarked for maintenance.

A number of major infrastructure development projects are being undertaken in KZN, with one of the most significant being King Shaka International Airport, north of Durban, which has been operational since May 1. The province's treasury contributed R526,92-million to the construction of the airport and a logistics hub at the airport, the Dube TradePort.

*R11.09 billion
capex for
infrastructure
development in
Kzn.*

Tabling her budget in April, KZN MEC for Finance Ina Cronjé announced a further R280-million for the upgrading and construction of road infrastructure providing access to the Dube TradePort.

The continued construction of the John Ross highway, joining the Richards Bay harbour to the N2 highway, received a cash injection of R135-million. The construction of pedestrian bridges, to improve access to community facilities, will receive R108-million in the 2010/11 financial year.

The continued construction of the P577 road link between KwaMashu and New Germany, will receive R90-million in this financial year. A further R56,98-million has been allocated to the Richards Bay industrial development zone. About R60-million will be invested in the construction of a road through the Sani Pass, joining South Africa to Lesotho, in 2010/11.

The KZN Department of Health has allocated R1,58-billion for infrastructure projects, including the hospital revitalisation programme, the construction of forensic pathology mortuaries and the construction of community health centres across the province.

The Department of Education has allocated R2,03-billion for infrastructure projects, including the construction of new schools, provision of water and sanitation at schools, the renovation of storm-damaged school buildings and the construction of early childhood development classrooms.

Source: Creamer Media's Engineering News, Henry Lazenby, 14 May 2010

Stefanutti Stocks is targeting projects worth R80 billion that are expected to be awarded within the next 6 to 18 months.

Willie Meyburgh, the chief executive of the listed construction and engineering group, stressed that these projects did not represent all the projects that would be available and based on the group's past success with tenders, expressed confidence in the amount of work available for the group to build up its order book.

Meyburgh said the value of the group's order book declined to R6.2bn in February from R6.7bn last year. But he said that the company was waiting for a number of significant project awards to its concrete structures, roads and earthworks and mining divisions.

Meyburgh also anticipated the percentage of the group's turnover from projects outside South Africa would increase to about 30 percent from about 22 percent currently.

He said Stefanutti Stocks had not withdrawn from projects in the Southern African Development Community (SADC) as other construction and engineering companies had done in recent years and had remained active in Mozambique, Swaziland, Botswana, Angola, Zambia and Zimbabwe.

Meyburgh said the group was now also focusing on the Democratic Republic of Congo, Uganda, Rwanda and Tanzania. He said the group did not have a presence in any of these countries yet but its target was to be awarded contracts in some of these countries within the next 18 months.

Stefanutti Stocks reported a 19 percent growth in diluted headline earnings a share to 208.48c in the year to February. Revenue grew by 18 percent to R7.5bn. Operating profit increased by 28 percent to R500.7 million. A final dividend of 45c was declared, increasing the total dividend for the year to 70c, which is almost 21 percent higher than last year. Meyburgh said it had been a difficult period with fewer projects and lower margins. He said geotechnical, civils and marine projects within its structures business unit remained the key contributors to group operating profit. In South Africa, these projects included grouting for the Gautrain and the interchange at the new King Shaka airport in Durban.

Meyburgh said building performed well during the year and compensated for the market contraction by targeting growth regions including Gauteng, KwaZulu-Natal and Mozambique to offset the collapse of the sector in the Western Cape and Botswana.

The roads and earthworks market would be more competitive in the future but remained a growth avenue for the group.

Meyburgh said the Middle East was very quiet but it was maintaining a presence in this market because, like South Africa, it believed it was a delayed market that would only recover in a year or two.

Source: Business Report, Roy Cokayne, 19 May 2010

Domestic and international cementitious industry sales trends and news

AfriSam, a leading producer of building materials in Southern Africa, has introduced Eco Building Cement, an environmentally-responsible cement which has halved the world's average carbon footprint for cement.

Eco Building Cement is part of the company's drive to reduce its overall carbon footprint. The product is a unique combination of Portland cement and reactive mineral components and its carbon footprint is 453 g/kg, almost half that of the world average of 890 g/kg according to Cembureau and the World Business Council for Sustainable Development.

The new cement is a blend of high performance cement and mineral components, making it extremely durable. It is designed to provide a smooth, defect-free finish for concrete, masonry and plaster work and outperforms many competitive 32,5 MPa products in terms of workability, durability and long term strength.

Mike McDonald, AfriSam's Product Technical Manager, says that the overall carbon footprint for the new cement was achieved while keeping performance requirements for general purpose building, bricklaying and plastering in mind. "We have achieved this without compromising on the quality required by SABS for cement in this strength class," says McDonald.

Due to the cement industry's association with CO₂, the company's environmental efforts have been focused mainly on the management and reduction of Greenhouse Gasses from the company's processes. The company already assesses the ongoing carbon footprint of each of its 40 readymix operations, 16 aggregate plants and each cement product from every plant.

The CEM III A 32,5N Blast Furnace Cement complies fully with EN 197 and SANS 50197 specifications and among its technical benefits are a high resistance to chloride ingress, reducing the risk of reinforcement corrosion and a high resistance to attack by sulphates and other harmful chemicals, thus preventing the early failure of concrete. It performs excellently for general purpose building, bricklaying and plastering. Its improved cohesion in concrete makes for improved placing and compacting.

The product is available in the greater Gauteng area and is easily distinguishable in its bright green packaging. It is available in a 50 kg bag for the traditional market and a 20kg bag for the environmentally conscious homeowners'/DIY market.

Source: *AfriSam, May 2010*

The black-owned Women Investment Portfolio Holdings group (Wiphold) and limestone-miner Conticem (Conticem), recently signed a memorandum of understanding with Chinese cement company, Jidong Development Group, and the China-Africa Development Fund (CADFund), to build a R1,65-billion cement manufacturing plant in Limpopo. Jidong, the largest cement producer in Northern China, and CADFund will hold 51% of the joint venture (JV), with Wiphold's share at 23,9%, and Conticem, at 25,1%. The new plant, which would be located adjacent to Conticem's limestone deposits, would be designed to initially produce 2 500 t/day of ordinary Portland cement.

Financial close of the deal was expected in October, said Wipcapital CEO Gloria Serobe, with construction due to begin in November. The deal would see foreign direct investment of more than R800-million flow from China, of which 45% would be equity investment, with the remaining 55% in the form of commercial debt. Nedbank Capital had been appointed as lead arranger for the transaction.

The plant would provide work for 600 people during construction, and 170 people during its operation. The JV expected to distribute most of the cement to the regional market in the Gauteng province. The project followed the

2007 exclusive agreement between Wiphold and Jidong, which saw Wiphold import and distribute cement from Jidong into South Africa, Tanzania and Angola.

Serobe said this importation agreement would continue in parallel with the project to manufacture cement locally. Wiphold chair and CEO Louisa Mojela indicated that the JV had also been scouting for another SADC country with a view to possibly setting up a second cement plant.

However, she noted that this project was still in an early phase, and emphasised that it would be premature to reveal the name of the country. Serobe added that Wiphold had "as strong a view of Africa as Jidong. We are taking a strong view of the continent . . . but we are taking it one step at a time."

Conticem CEO Anton Weavind said that all the necessary environmental and social impact studies for the Limpopo project had been completed, and that talks with power utility Eskom to supply the roughly 17 MW of power required were far advanced. "We have a commitment from them to supply this power." Weavind also noted that Conticem's deposit had almost 81-million tons of proved and probable resources of cement grade limestone, and a further 120-million tons of resources. "This means we have sufficient resources to substantially increase capacity in the future."

Source: *Engineering News Daily News, Irma Venter, 13 May 2010*

Namibia is set to commission its first cement plant, the new 2 100-t/d turnkey Ohorongo factory, later this year.

Engineering company Polysius was contracted to build the new plant by Ohorongo Cement, a member of German cement company Schwenk Zement. Situated on a 100-ha site, close to Otavi, in northern Namibia, the plant is located near limestone deposits as well as road and railway infrastructure.

The Polysius-Ohorongo agreement, signed in August 2009, stipulated that Polysius would supply all equipment to the cement plant and would also be responsible for construction. Ohorongo Cement chairperson and Schwenk group CEO Gerhard Hirth says that the individual parts and the production unit are expected to be commissioned in the fourth quarter of 2010.

Polysius South Africa MD Ralf Hesemann explains that the cement will be stored in three 7 500-t- capacity silos. It will be packed in bags in the cement packing plant, stacked on pallets and covered with shrink wrap. Pulverised coal, produced by a vertical roller mill at a rate of 15 t/h, will fire the plant. The 109-m preheater tower is central to the performance of the cement plant.

"The properties of the raw materials and fuels were tested by the Polysius group's central research centre to ensure correct dimensioning of the preheater/ calciner system, and that all the systems and plant components are harmonised," Hesemann explains.

The high degree of heat recuperation and the low pressure drop deliver efficiency and availability to ensure increased operation and decreased power and operational costs.

The raw material required for cement production comes from the Sargberg quarry, north of Otavi, which will be the first link in the entire production chain to become

operational. Hesemann notes that the 1 500-m-long quarry, with a 12,5-m-high shoulder, which will eventually be deepened to 25 m, will provide the different mineral qualities that will be mined later in the year.

All components of cement, including limestone, which forms 75% of the mined material, marl, shale and calcrete will be mined in their different layers. The first blast took place in March 2010, which prepared the first 600-m² quarry ground for mining.

A private siding with a shunting locomotive will also be developed on the Sargberg farm to provide direct access to the national railway system and will be instrumental in conveying raw materials and cement products when the plant is in full production.

Source: Engineering News, 28 May, 2010

The China Development Bank is to fund construction of a cement factory in Beluluane, in Mozambique's Maputo province costing US\$100 million, the director of the Centre for Investment Promotion recently said in Maputo. Mohamed Rafique said that construction work on the cement factory, a project promoted by Chinese investors that have obtained funding from the China Development bank via the China-Africa Development Fund, is about to begin.

Rafique also said that the new factory would have capacity to produce 1 million tons of cement per year and added that as well as regulating the price of cement on the Mozambican market, it could also supply some countries in Southern Africa. The poor supply of cement and the high construction costs are two of the most serious obstacles to construction projects moving ahead, particularly those of the State.

The director of the CIP said that his institution had approved four investment projects for construction of cement factories in Southern Mozambique. Amongst the interested parties there are investors from China, India and Tanzania, who now have a period of two years to launch their projects.

The Mozambican cement market is currently dominated by Cimentos de Mozambique - a Cimpor (Cimentos de Portugal) group company, which owns 82 percent of its capital, with the remaining 18 percent shared by the Mozambican state, insurance company Emose and railway company CFM.

Cimentos de Moambique places some 500,000 tons of cement on the domestic market every year and has an estimated annual average turnover of some US\$83.8 million.

As well as the factory in Maputo province, Cimentos de Mozambique also has a unit in Dondo, Sofala province, and another in Nacala, in Nampula province. The other, smaller, slice of the Mozambican market is shared by cement imported from neighbouring South Africa and some Asian importers.

Source: Chinamining.org, 18 May 2010

AfriSam (South Africa) (Pty) Ltd
Reg No: 2006/005910/07
PO Box 6367
Weltevredenpark 1715
South Africa
Tel: (011) 670 5721
e-mail: alet.vanstaden@za.afrisam.com

www.afrisam.com
Tel: 0860 141 141
e-mail: customer.service@za.afrisam.com

Main sources of information:

Industry Insight
Tel: (021) 557 4168
info@industryinsight.co.za
www.industryinsight.co.za

Econometrix
Tel: (011) 483 1421
macrohotline@econometrix.co.za
www.econometrix.co.za

Cement and Concrete Institute
Tel: (011) 315 0300
www.cni.org.za

Disclaimer:

AfriSam, its shareholders, employees and agents accept no liability for (or in respect of) any direct, indirect, incidental or consequential loss or damage of any kind or nature, whatsoever arising, from the use of or reliance on information provided in this publication.