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Strategic positioning study of the "Metallic Construction" branch

FOREWORD

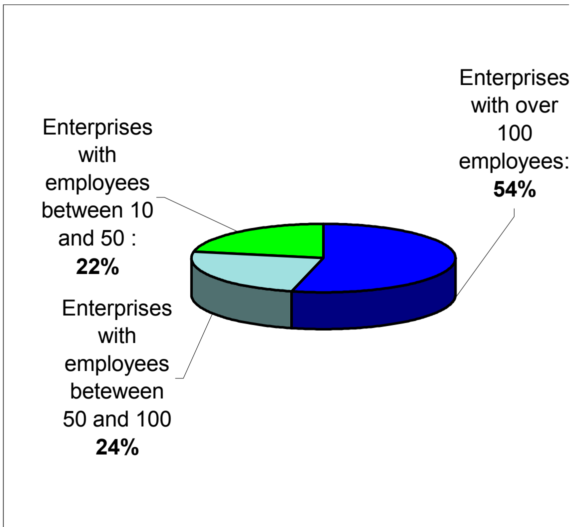
The "Metallic Construction" branch in Tunisia is divided into two broad sets: major projects (boiler-making and industrial metallic frameworks), and industrial products manufactured in more or less large series, such as industrial bodywork and gas bottles.

NATIONAL SITUATION

The branch comprises 136 enterprises of over 10 employees, most of which are not totally exporting. Full-time jobs are estimated as 7 000, while seasonal jobs are in the range of 1 600.

Eighty five (85) enterprises of this branch have less than 50 employees.

The breakdown of jobs per class of enterprise is as follows :



During the period 1997 – 2001, the production of this branch reported an average rate of increase of about 4% per year, thus reaching in 2001 a total turnover of 120 million Tunisian dinars (MTND), made mainly on the local market.

Most of the firms operating in the boiler making and industrial framework sector are located in the vicinity of cement plants, chemical industries, petroleum activities, etc.

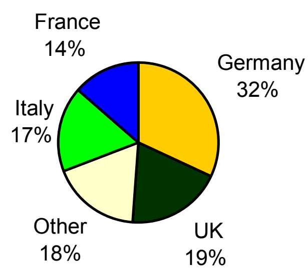
One salient feature of this branch is total importation of raw materials: iron sheet and iron/steel sections. Italy ranks first among Tunisia's suppliers.

In terms of product, the trade balance of the branch is almost even, though the values are rather low, being in the range of 30 MTND per year. The main suppliers are France and Italy, while the main destination for Tunisian products is France.

As of June 2003, twenty five (25) enterprises had had their MAN programmes approved by COPIL, for a total investment of 42 MTND, of which 33.5 MTND of physical investments.

INTERNATIONAL SITUATION

- Germany, the UK, Italy and France account for 82% of the production of metallic framework for the whole Europe. Germany alone accounts for 1/3 of this production. The breakdown of the European production in 2001 in terms of metallic framework is as follows :



- In 2001, the European Union was the first exporter of boiler-made products, with 37% of world exports. Current trends focus on shortening construction time-periods, reducing the number of suppliers and transferring part of the contracting authority to selected suppliers.
- As regards industrial products, the European production of semitrailers reported 392 000 units in 2001, of which Germany alone holds 35%. This market is on a slight increase. Concerning gas bottles, there were 168 million units in circulation in 2001 and a fleet renewal rate of 5% per year. The market is on the decrease as a whole.

INTERNATIONAL COMPARISON

The benchmarking developed with reference to 4 countries, namely France, Turkey, Egypt and Morocco, reveals that:

- Tunisian production of industrial bodywork products remains low (800 units) with respect to those of Morocco and of Egypt (1 200 and 3 600 units, respectively). It is quite low with respect to that of Turkey (9 700 units) and of France (55 000 units);
- The sale price of a 13-kg gas bottle in Tunisia is the highest by comparison with other countries due to the small quantity produced;
- Added value in metallic framework is in the range of 20% and in boiler-made products of 35%. In this regard, Tunisian and French enterprises have a similar added value. It is higher than that of Egyptian and Moroccan enterprises;
- Tunisian enterprises have fewer permanent trade business operations in leading industrial countries, unlike other comparable countries;
- The average size of big Tunisian enterprises is smaller with respect to other reference countries;
- There are no specialised industrial engineering consultancies in Tunisia capable of conducting full-fledged projects. There is one in Morocco, while there are five in Egypt, eight in Turkey and about fifteen in France;
- One also notes the absence of project consultancies in Tunisian enterprises, while there are such consultancies in the enterprises of comparable countries.

OBJECTIVES 2008

- Setting up a Tunisian pole of a production capacity of 10 000 tons/year with regard to metallic framework and of 6 000 tons/year in boiler-making; the pole would be capable of delivering turn-key sets;
- Development of exportation of gas bottles to Africa and Libya.

NICHES AND FLOURISHING MARKETS

- Equipments for major projects (petroleum, industry, etc) in developing countries and, more particularly, in Africa;
- Gas bottles to be exported to African countries and Libya.

ACTIONS TO UNDERTAKE

1. Actions within all enterprises

- Better observance of delivery deadlines;
- Further equipping Organisation & Methods departments with the necessary tools (high-performance computers, software, etc) for the performing of framework resistance calculations.

2. Actions within large enterprises

- Enlisting the contribution of the various competencies under the same project for the set up of project teams;
- Joining the resources available by pooling costly production tools, procurement, etc;
- Exchanging information based on networking with other industrialists and circulating data on the same market;
- Not to confuse one’s rivals: this means competing with foreign enterprises not with local ones;
- Provide the enterprises with commercial structures that canvass international principals/givers of orders (engineering companies) and that ensure the monitoring of customers and of projects;
- Developing partnership with European industrialists.

3. Actions within small and medium-sized enterprises (SMEs)

- Setting up organisation tools, such as cost accounting, order monitoring procedures, quality monitoring, etc;
- Urging enterprises to set up purchasing groups;
- Sub-contract certain operations to sister enterprises;
- Developing sub-contracting for leading enterprises.

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4. Institutional measures

- Stepping up exportation financing by assisting Tunisian enterprises in obtaining bank loans at reasonable interest rates;
- Facilitating the obtaining of performance bonds from banks, and this by exporting enterprises serving for engineering consultancies;
- Improving the vocational training programmes;
- Urging enterprises to obtain ISO certification;
- Creating a legal environment conducive to inter-enterprise partnership.

5. Promotional actions

- Setting up joint trade representations in Europe for all enterprises of the branch in order to be more closely tuned to the specialised engineering consultancies and leading principals (givers of orders);
- Developing a Web site under the form of a portal and of an advertising brochure outlining the branch potential in Tunisia (map of Tunisia, main establishments, transport infrastructure, etc).

6. Setting up enterprises and building partnerships

The study has allowed the identification of two project files to be promoted. One of these files proposes a quantified approach for a possible grouping of the leading enterprises of the branch.