

SUBMISSION TO THE STANDING COMMITTEE ON FINANCE ON THE PROPOSED EXPORT DUTIES ON FERROUS AND NON-FERROUS SCRAP METAL

Metal Recycler's Association of South Africa

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7 October 2020

Mr Allen Wicomb and Ms Teboho Sepanya – Committee Secretaries

Standing Committee on Finance - Parliament

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Dear Mr Wicomb and Ms Sepanya

COMMENTS ON THE PROPOSED EXPORT DUTIES ON FERROUS AND NON-FERROUS SCRAP METAL

We represent the Metal Recycler's Association of South Africa ("MRA") in the above matter.

Attached, please find the MRA's comments regarding the proposed export tax on ferrous and non-ferrous metals

Kind regards



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Table of Contents

| | |
|---|-----------|
| Executive summary | 3 |
| The current proposal | 3 |
| Our suggestion | 3 |
| Transparent consultative process | 3 |
| Introduction | 4 |
| Uneven playing field | 4 |
| Lack of research supporting export restricting measures | 5 |
| Over simplified solution | 6 |
| Product not required locally | 6 |
| Limited local use | 6 |
| Substantial local consumption | 6 |
| Fixed export duty | 7 |
| Metal price volatility | 7 |
| Exchange rate impact | 7 |
| Geographical impact | 7 |
| Localised demand and supply | 7 |
| Cost of moving a low-value product | 7 |
| Alternative duty structures | 8 |
| Ferrous metals | 9 |
| Aluminium | 9 |
| Copper | 9 |
| Nickel, Zinc and Tungsten | 9 |
| Lead | 10 |
| Tin, Molybdenum, Tantalum, Magnesium, Cadmium, Antimony and Manganese | 10 |
| Relief mechanism (rebate of export duties) | 10 |
| Trade policy or mere revenue collection mechanism | 10 |
| Legal framework | 10 |
| Economic impact | 11 |
| The importance of scrap steel recoveries in different sectors | 12 |
| Impact on viability of the manufacturing sector | 12 |
| Impact on viability of scrap metal collectors and recyclers | 13 |
| Justification for moving value from some economic sectors to others, through legislation | 13 |
| Environmental impact | 14 |
| Conclusion | 14 |
| Export cost and duty level impact by metal category | 15 |



Executive summary

The justification provided for the current PPS system, as well as the motivation for the proposed export tax on scrap metal, appears to be singularly focused on securing domestic supply of scrap metal and achieving the lowest possible scrap metal price for consumers of scrap metal. The financial and commercial viability of scrap metal collectors and recyclers appear to be of no, or very little concern, even though these sectors of the scrap metal industry employ many multiples more people than all the mills, mini-mills and foundries combined.

The scrap metal industry has no future if the financial and commercial viability of the scrap metal collectors and recyclers are not adequately considered.

The current proposal

The proposal contained in the Taxation Laws Amendment bill ("TLAB") represents a gross over simplification, failing to adequately distinguish between different metals and metals groups, dealing with this measure as a revenue collection opportunity rather than a well-considered trade policy mechanism. This proposal also migrated from the investigation by the International Trade Administration Commission of South Africa ("ITAC") in the same form, seemingly without consideration of any of the inputs provided by the industry sectors most affected by the proposed export duty.

Our suggestion

1. A more nuanced export duty, with duty levels more relevant to specific metals or metal groups, excluding scrap metal not required by domestic consumers, or exported in such small volumes that the imposition of an export duty will serve no purpose.
2. *Ad valorem*, rather than fixed rates of duty, to avoid distortion that will occur when applying a relatively high fixed Rand value export duty, to a relatively low value product.
3. The creation of a relief mechanism by way of an export duty rebate in instances where local supply exceeds demand.

Transparent consultative process

The stakeholder engagements facilitated by National Treasury and the Standing Committee on Finance are key to arriving at a workable solution that will ensure the financial and commercial viability of collectors and recyclers, as well as the domestic consumers of scrap metal.

The regulations and guidelines, in terms of which the proposed export duty will be managed, needs to be formulated and shared with all affected parties for comment before the position is finalised. The duty is a trade tax, rather than a simple revenue generating mechanism and so the processes followed should reflect this reality, including clear guidelines on how the duty will be managed, as well as how the very important relief mechanisms, likely in the form of duty rebates, will operate.



Introduction

Following a consultative process, initiated by the International Trade Administration Commission of South Africa ("ITAC") during 2019, recommendations were made to the Minister in the DTIC. We have requested a copy of this recommendation, but at the time of submitting this document, had not received a copy of the recommendation.

It would appear that the recommendations made were presented to National Treasury which led to announcements by the Minister of Finance in the 2020 Budget Review regarding the introduction of export taxes on scrap metal.

Following the announcement by the Minister of Finance in the 2020 Budget Review, National Treasury, on 10 March 2020, published a basic approach to the introduction of an export tax on scrap metal for comment.

The first phase called for comment on the objective, implementation, functioning and economic and financial impact of such an export tax, the level of rates, base for such a tax, the impact on current firms and industries, the implications for the tax and trade system, as well as comments on strengthening the administrative capacity of SARS to implement such export taxes.

The second phase described is the current process of commenting on the proposed legislative provisions that give effect to specific export taxes on scrap metal included in the 2020 Draft Taxation Laws Amendment Bill ("TLAB").

The MRA actively participated in the ITAC investigation as well as the call for comment in the first and second comment phases facilitated by National Treasury.

We are concerned that a number of key commercial and policy concerns, well beyond the mere establishment of an appropriate level of duty, highlighted in the MRA submissions to both ITAC and National Treasury, remained unattended to in this process, with potentially disastrous consequences for large sectors of South African industry.

Without any report emanating from the process followed by ITAC, significant concerns raised by the MRA from the outset, have apparently not been addressed or answered, in the lead up to the proposed export duties being incorporated into the draft TLAB.

Our detailed concerns are noted below.

Uneven playing field

Responses by interested parties to the ITAC investigation, which commenced in 2019, predominantly from consumers of scrap, are singularly focused on achieving the lowest possible scrap metal price, as if lower material prices will address all the challenges being faced by mills and foundries consuming scrap metal.

The financial and commercial viability of scrap collectors and recyclers that recycle or prepare the material to be ready for consumption by the consumers of the material appear to be of no consideration, even though these sectors of the scrap metal industry employ many multiples more people than all the mills, mini-mills and foundries combined. Most of the employment is of the most vulnerable people (the waste collectors) in the informal sector. According to the DTIC media release of 3 July 2020:

The scrap metal industry in turn is of critical importance as a supplier of raw material into primary and secondary metal production. The industry contributes R15 billion to GDP and employs about 350 000 people, many of whom are involved in informal collection



This very serious concern is further underscored when it becomes apparent that comments and suggestions by members of the scrap collector and recycling sectors are not considered or acknowledged in the processes followed by ITAC and the DTIC. No report was issued by ITAC following the 2019 investigation and the proposal considered by ITAC made its way into the TLAB seemingly unaltered.

To further underscore the likely existence of an unequal playing field, the minister of DTIC on 3 July 2020 unilaterally suspended the export of scrap metal for a 3 month period, in the wake of weak demand for certain scrap metals in the domestic market. This has since expired and been replaced by a modified version of the Price Preference System ("PPS"), until the export duties are imposed in 2021.

This singular executive decision is at present directly responsible for potential business closures leading to significant retrenchments throughout a sector that affords a livelihood to the poorest of the poor.

In the current state our country's economy finds itself in there is simply no room for grand scale experiments and ill-advised value destruction where the interest of some sectors and interest groups are allowed to trump the financial and commercial viability of the complete value chain.

Lack of research supporting export restricting measures

Whilst industry is aware of independent research having been done, or contracted by the Department of Trade, Industry and Competition ("DTIC"), the findings of any recent independent research conducted by, or on behalf of DTIC have not been made public.

The only comprehensive study undertaken that specifically considered possible interventions to support the complete scrap metal value chain, from collectors and recyclers, through to the consumers of scrap metal, being the mills, mini-mills and foundries, was the study undertaken by Conningarth Economists, initiated by (then) BUSA's Dr. Lorraine Lotter through NEDLAC. The final technical report was published on 13 February 2013 and was submitted by the MRA to ITAC / DTIC prior to the implementation of the Price Preference System (PPS).

This is the last published study, specifically weighing the impact of both export-containing measures as well as government subsidy based programmes, as policy instruments to advance the scrap metal value chain in its entirety.

This study focused on ferrous metals, aluminium and copper, and the findings were consistent except for marginally different preferred outcomes for aluminium.

Importantly, export volume restrictions and export taxes consistently scored lower than subsidy or grant based programmes when overall impact on the sector was evaluated.

Critically, for all 3 metal categories analysed, export restrictions or the implementation of any export taxes were noted to be beneficial to the consumers of scrap metal, but detrimental to, and at the expense of, the scrap collector and recycling sectors.

During 2017 the MRA participated in an extensive DTI commissioned study of the scrap industry by Trade and Industrial Policy Strategies ("TIPS"), but the final report from this study was embargoed and our clients have no knowledge of the final recommendations.

Our client also understands that Genesis Analytics did a recent study on the scrap industry, but the MRA were not consulted and again we do not know the results of the study.



Over simplified solution

The proposed export duty presented for comment is quite simplistic, as a one-size-fits-all solution, with the rate of duty applied being the only differentiation between metals or metal categories.

The proposed duty structure presented for comment still only consists of four broad product categories, not addressing the unique market conditions pertaining to different types of scrap metal covered by the proposed export tax.

Product not required locally

There is absolutely no justification for an export duty on metals not processed or currently required in South Africa or other SACU countries.

Even though this important dynamic has been brought to the attention of both ITAC and National Treasury, it has apparently received no consideration.

Limited local use

Certain metal categories are consumed locally but only in limited quantities, which results in a significant surplus to domestic demand for these products.

This has even been acknowledged by the local consumer industry, yet significant export duties are being proposed with no rebate structure or relief mechanism, should supply exceed local demand.

Other than serving as a revenue-collection mechanism, the proposed export duties on such products serve no purpose in developing or supporting local consumption. They serve merely to extract value out of already struggling manufacturers and fabricators who are the primary generators of scrap metal, and the collectors and recyclers of scrap metal supplying the consumers of scrap metal (mills, mini-mills and foundries), leading to further deindustrialisation.

Substantial local consumption

Even where substantial local consumption by mills, mini-mills and foundries is supported, there need to be mechanisms in place to provide relief from the proposed export duties, at times when supply exceeds demand.

It is too easy to forget that recoveries on scrap metal form an integral part of the revenue models of generators of scrap metals, i.e. manufacturers and fabricators, as well as collectors and recyclers, where it presents a primary income stream.

Cannibalising income streams from one economic sector, for the benefit of another, always has unintended consequences. In this case there have already been job losses in the metal recycling sector and a collapse in the price of scrap (this was perhaps an unintended but perfectly predictable consequence of the oversupply of scrap which followed the ban).

When the prices of certain types of scrap fall too far, it no longer pays the waste collectors to pick up the scrap and incur the cost of transporting that scrap to the scrap yard. Similarly, industrial fabricators who traditionally have enjoyed a revenue stream from the sale of relatively low value scrap metal products to the recycling sector, will incur waste service fees in the safe disposal of these products. When this happens, the scrap will simply become worthless and end up in a land fill with negative economic and environmental impacts. The economic impact is obvious as material with economic value is reduced to nothing more than rubbish.



Fixed export duty

The fixed duty per ton proposed is problematic.

The Rand value per ton that can be realised for scrap metal constantly varies and a fixed duty per ton is simply not dynamic enough to be effective without being disruptive. As noted in more detail below, we propose an *ad valorem* duty on such products where a duty is required at all.

Metal price volatility

Commodity markets are not static. Particularly during periods of a global over-supply, such as the current steel situation, but also during growth periods when demand causes prices to increase.

Under certain market conditions a fixed duty may only serve to worsen the plight of both the downstream manufacturing and fabrication sectors generating scrap, as well as the upstream collection and recycling sectors that are even more dependent on recoveries on scrap metal to survive under difficult economic conditions.

The financial viability of collectors and recyclers is of the greatest concern.

Whilst the policy objective, at the outset, has always been to control the price of scrap metal offered to local scrap metal consuming industries, the prescribed measures aimed at achieving this objective directly impacts the revenue and the financial viability of other sectors, employing many multiples more people than the steel mills, mini-mills and foundries using scrap metal as an input.

Even though the concerns around a fixed duty have been raised in the very first responses to ITAC, there is no indication that the impact of a fixed duty rate per ton has been fully appreciated.

Exchange rate impact

Exchange rates have a direct impact on the revenue generated by the product exported.

An *ad-valorem* duty better serves both objectives of supporting domestic consumers of scrap metal while also protecting the collectors and recyclers, depending on which direction the exchange rate moves.

Geographical impact

Localised demand and supply

Previous studies on the topic have highlighted the relevance of the geographical location of generators of scrap metal, the collectors and recyclers as well as the steel mills, mini-mills and foundries utilising scrap metal as a raw material.

A fixed duty will serve to further instill the distortion already evident in the application of the existing Price Preference System ("PPS") for scrap metals. Less flexibility will worsen the current position. At the very least the PPS linked the discounted "Preference Prices" to market related prices. A fixed export duty per ton will create more distortion and likely more disruption for generators of scrap metal, collectors and recyclers located further from Gauteng or the Coastal regions.

The geographical aspect warrants significantly more attention than what it is currently being allocated. If not properly considered the outcomes will be referred to as "unintended consequences" and will involve significant job and subsistence income losses, business failures and disinvestment.

Cost of moving a low-value product

Growing transport costs and an almost exclusive reliance on road transport, underscores the impact of geography. Transport cost is a significant cost element for collectors and recyclers, both in terms of collections and deliveries to consumer works (locally and internationally).



A fixed duty per ton locks collectors and recyclers into hard price thresholds, particularly when movements in global metal prices and exchange rate movements result in lower returns. This dynamic directly impacts the commercial viability of recovering and processing scrap metal in outlying areas.

Alternative duty structures

Given the concerns around the introduction of a fixed duty per ton, consideration should be given to alternative duty structures.

To ensure policy objectives are achieved while the financial and commercial viability of all sectors are assured, it will be necessary to consider:

- the introduction of a more granular tariff structure, accounting for different metals and metal groups;
- an *ad-valorem* duty structure, and / or;
- a combination of a fixed duty and an *ad-valorem* duty,

as alternatives to the current four-tier fixed duty structure.

The following duty levels are proposed by relevant scrap metal tariff subheading.

| Tariff heading / subheading | Product / product category | Proposed Export duty |
|-----------------------------|----------------------------|---|
| 7204 | Ferrous | The lower of 10% <i>ad-valorem</i> or R1 000 per ton. |
| 7404 | Copper | The lower of 5% <i>ad-valorem</i> or R8 426 per ton. |
| 7503 | Nickel | The lower of 5% <i>ad-valorem</i> or R1 000 per ton. |
| 7602 | Aluminium | The lower of 5% <i>ad-valorem</i> or R3 000 per ton. |
| 7802 | Lead | No duty |
| 7902 | Zinc | The lower of 5% <i>ad-valorem</i> or R1 000 per ton. |
| 8002 | Tin | No duty |
| 8101.97 | Tungsten | The lower of 5% <i>ad-valorem</i> or R1 000 per ton. |
| 8102.97 | Molybdenum | No duty |
| 8103.3 | Tantalum | No duty |
| 8104.2 | Magnesium | No duty |
| 8107.3 | Cadmium | No duty |
| 8110.2 | Antimony | No duty |
| 8111 | Manganese | No duty |
| 8112 | Other | The lower of 10% <i>ad-valorem</i> or R1 000 per ton. |

We are attaching tables illustrating, by metal category, the impact of the duty levels the MRA proposes and the cost of exporting the scrap metal on the revenue that may be realised when intending to export the scrap metal. The realisable value, after deducting the cost of export and the export duty proposed at the above levels illustrates the extent to which the revenue that may be generated by the scrap collectors and recyclers are impacted by these cost elements.

To illustrate the varied impact the cost of exporting the product and a proposed export duty may have on the realisable value of metal products we in our presentation referred to the examples of steel



shavings with a CIF selling price of R 1 851 per ton and bright shiny copper with CIF selling price of R 105 883 per ton.

In another example in our presentation the cost of exporting the steel shavings and an export duty calculated at 10% *ad-valorem* represents 55.4% of the CIF export price of the product.

By comparison a fixed export duty of R 1 000 per ton result in the cost of exporting the product and a fixed export duty amounting to 101.2% of the CIF export price of the product, illustrating the potentially negative impact of a fixed duty and the relevance of an *ad-valorem* duty.

Ferrous metals

Ferrous metals constitute in excess of 85%, by volume, of all scrap metal generated in South Africa, but only 43% of the value.

Whilst steel mills and foundries requiring ferrous scrap metal as an input probably represent the basis for the PPS and the proposed export duty on scrap metal, ferrous scrap metal has a disproportionately high handling cost component due to its relatively low underlying product value.

Aluminium

As but one example of many, a significant proportion of aluminium scrap arising is can stock (new metal by-product) and used beverage cans (UBC's Taldon). South Africa's largest consumer of Taldon has a limited demand to consume these products in the production of new can stock metal. There is generally a significant oversupply of recycled can stock compared to what can be processed.

Any proposed export tax needs to take this into consideration. A geographical consideration alone may already secure the specific consumer the volumes of scrap can stock it requires, without any need for an export duty to secure adequate supply.

Aluminium scrap typically returns a percentage of the London Metal Exchange ("LME") price per ton of prime aluminium (new ingot) when returned into the production cycle as a raw material.

Zorba, a mixture of shredded aluminium and other metals, which cannot be consumed in South Africa or other SACU countries, should attract no duty at all.

Both Taldon and Zorba were identified by the DTIC as products which should be exempted from the export ban, as there is no local demand. We propose that these 2 items also be immediately rebated as soon as the export duties are imposed on aluminium. It was intimated in our meeting with the DTIC, on 19 August 2020, that there may be some level of demand for Taldon, so this rebate could be a temporary rebate, only provided for the volume of Taldon not consumed by the domestic scrap processing industry.

Copper

A substantial local smelting and foundry sector for the red metals category, also covering brass, has been established in South Africa. This sector will likely benefit from a proposed export duty on red metals and this can be supported. Given the cost associated with the recovery and processing of red scrap metal, including copper and brass, a reasonable *ad-valorem* duty would likely be in the region of 5%.

Nickel, Zinc and Tungsten

Limited, domestic processing capacity for these metals do exist and an export duty is justified at the duty levels proposed above.



Lead

The export of lead scrap comes with a unique set of regulatory requirements that practically impacts the export of this product. Consequently, export volumes of this product are limited to a few hundred kilograms per annum, simply not warranting the imposition of an export duty.

Tin, Molybdenum, Tantalum, Magnesium, Cadmium, Antimony and Manganese

These metals are not consumed domestically and the export volumes are so insignificant that it simply does not warrant imposing an export tax on these metals as it will serve no purpose and at best adversely impact specialty manufacturing industries.

Relief mechanism (rebate of export duties)

Even though the volume and value of scrap metal exports dramatically reduced under the PPS, South Africa still generates more scrap metal than is consumed domestically.

This is more relevant to some metal categories and this position may change from time to time, due to market dynamics.

It is essential that a relief mechanism, likely in the form of an export duty rebate, be created to ensure that value destruction for generators of scrap metal and the collector and recycling sectors, are reduced to a minimum.

Trade policy or mere revenue collection mechanism

The lack of transparency in the processes, up to the point where the draft TLAB was presented for comment, is of significant concern.

The PPS caused disruption as the consumers of scrap metals are the price *makers* and the recyclers of scrap metals the price *takers*. Where the PPS dictated price levels that were not sustainable under prevailing market conditions, the buyers of scrap metal recently paid prices higher than the PPS proposed prices to ensure continued supply. Under these circumstances the consumers have adjusted their offered prices according to their perception of the supply available and their own demand.

Legal framework

We are concerned that the investigation process has migrated from ITAC to National Treasury without any report on the findings arrived at by ITAC. We would like to request a copy of the recommendations ITAC made to the Minister of Trade, Industry and Competition which was then shared with the Minister of Finance.

To be clear, the MRA supports export duty and its management by National Treasury, but the submissions made to ITAC, before this was moved to Treasury, remain relevant.

There is at present no clarity on:

- The empowering legislation in terms of which the investigation is being conducted.
- The regulations that typically would inform the process to be followed in the investigation.
- The review process and review time-lines for decisions taken.
- What process will allow for regular re-assessment of duties or duty rates imposed.

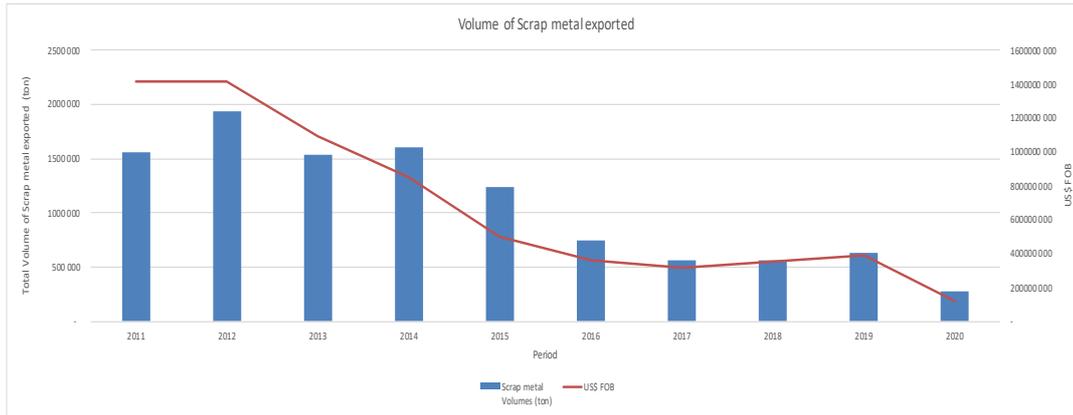


The process to date has not been transparent and there is no tangible evidence that substantial comments and contributions made were considered. This is evidenced by the table of duties proposed in the TLAB circulated for comment. It was confirmed by Treasury, in our meeting last week, that the proposed duty levels were taken from ITAC’s original recommendation to the Minister of the DTIC and not independently calculated by Treasury,

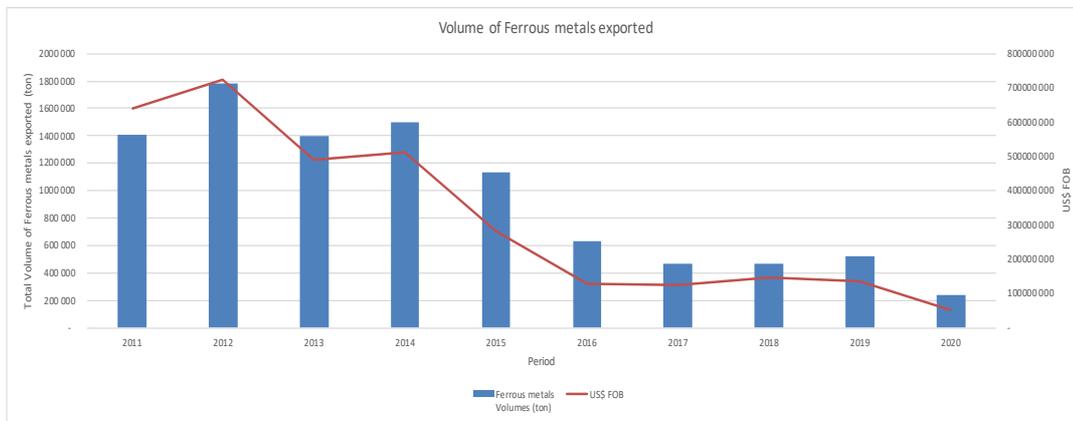
Economic impact

The impact the PPS had on the volume and value of scrap metal exports in general, but particularly on specific metal categories, is illustrated in the following trends:

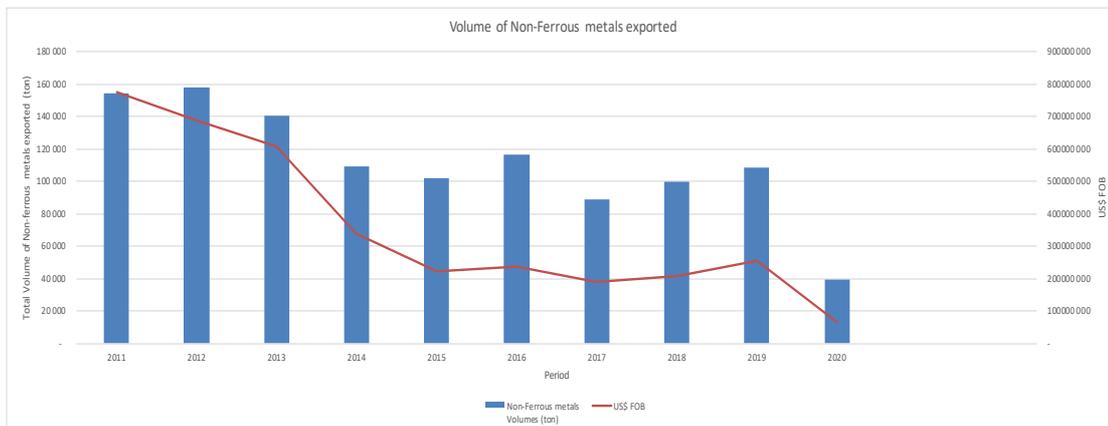
Trends graphs: Overall - all categories



Trend Graphs: Main categories Ferrous metals



Trend Graphs: Non-ferrous metals





The introduction of the PPS had a marked impact on the volume as well as the value of scrap metal exports in absolute terms. Whilst these trends, at a superficial level, may be interpreted as a success story, with substantial volume of scrap metal being diverted to local mills and foundries, a closer look will test these assertions:

- While the primary goal centered around ferrous metals, the same trend is evident in non-ferrous metals, of which only a handful of products are being consumed in South Africa.
- A “win” for local mills and foundries has a commensurate negative impact on the manufacturing and fabrication sectors, as well as SOEs which are the predominant generators of scrap metal. With the current state of the South African manufacturing sector, the impact of lost revenue on scrap sales by the manufacturing sector still needs to be quantified.
- The collectors and recyclers, representing a substantial source of low skilled employment, have been constrained through the PPS for the past seven years. The negative impact on job creation in this sector still needs to be quantified. It is expected to be significant. **There have been job losses in the scrap recycling sector since the implementation of the export ban and average incomes of scrap collectors has significantly fallen since the ban was implemented.**
- The PPS failed to provide local mills and foundries with a sustained competitive advantage.

Even though the PPS succeeded in reducing the volume and value of scrap metal exports in absolute terms, it is not clear if it achieved all the objectives set for the program and if the cost to the recyclers was offset by a commensurate improvement in the downstream sectors consuming scrap.

It is possible these questions were answered in studies conducted by the DTIC, but we have not been given access to such studies.

The importance of scrap steel recoveries in different sectors

Impact on viability of the manufacturing sector

The drop in export revenue generated since the introduction of the PPS is significant. Whilst product could still be sold in the South African market it would typically be at reduced prices in terms of the PPS price guidelines. The PPS, and the policies which gave rise to it, is based on the premise that scrap metal is an almost worthless by-product of manufacturing, representing a sunk cost once the original metal inputs have been procured and the cost factored into the cost and pricing of finished products.

Nothing could be further from the truth. The South African manufacturing sector has seen year-on-year contraction and deindustrialisation in the face of rising input costs and price suppression triggered by competitively priced imported finished products. For an extended period, gross and net margins have been under pressure and the sustainability and long-term viability of many manufacturers and fabricators have been at risk. The direct and indirect impact on employment and skills development is playing out in front of us with very few initiatives having any noteworthy impact in slowing down or reversing the current trends.

Recoveries related to the sale of scrap metal are an integral part of the revenue streams sustaining manufacturing concerns, generating much needed additional revenue and supporting businesses under difficult trading conditions.

A trade policy which cannibalises the revenue streams of scrap metal generators i.e. manufacturers, recyclers and scrap metal collectors, in the interest of supporting downstream scrap metal consumers, appears to be self-defeating.



There have not been any comprehensive studies published on any of the affected sectors to fully understand the impact of these policy choices, yet the principle of devaluing scrap metal, across all sectors has progressed to a point where a fixed rate per ton export duty is contained in the 2020 Revenue Laws Amendment Bill, with no evidence that the significant concerns raised by the affected industries have been properly considered.

Impact on viability of scrap metal collectors and recyclers

The proposed export tax on scrap metal, like the PPS, directly impacts the revenue streams of the manufacturing sector scrap metal generator, the scrap metal collector and recycling sectors.

This impact is direct. It affects financial viability and the sustainability of business that are not only critical in supplying product ready for introduction into the melting processes of steel mills and foundries, but also employs a significant number of people.

We note the DTIC view published on 03 July 2020, that there are approximately 350 000 people, including informal waste collectors in the sector who are 100% reliant on scrap metal recycling for survival. Devaluing the material collected is placing a substantial portion of these jobs for the poorest of the poor, at risk. Again, there has been no credible study or any evidence of serious consideration of the impact the PPS and the proposed export duties have had, or will still have, on the sustainability of these jobs. Policy proposals appear to be made with an extremely restricted, almost short-sighted focus, only to later lament the “unintended consequences” of further job losses, social despair and further disinvestment in the manufacturing sector.

Justification for moving value from some economic sectors to others, through legislation

It would appear that developmental objectives are often chased with policy decisions that show very little understanding of the consequences of decisions taken. South Africa faces significant deindustrialisation and our manufacturing sector is on the ropes. This is not disputed.

It is difficult to reconcile policy decisions for the benefit of single sectors and interest groups with the broader objective of growing the manufacturing sector and securing the financial viability, if a great number of industrial concerns are adversely affected by such decisions.

The unintended consequences of the PPS and the proposed export tax have neither been identified nor properly weighed or assessed.

The abrupt suspension on 3 July 2020 of the issuing of export permits for scrap metal by the Minister of Trade Industry and Competition followed a lockdown period which already brought many manufacturing concerns, scrap collectors and recyclers to the brink of failure.

The totally arbitrary and ill-advised suspension of the issuing of export permits, across all metal categories, even for product with no local demand, further exacerbated the already dire commercial and financial position of countless businesses, placing even more jobs at risk at the stroke of a pen.

The MRA however remains supportive of the export duties as this at least provides some stability and predictability to the process. The PPS was an unstable system and the ban was simply devastating. For investment to occur, predictability is important and the export duties provide a compromise which will still allow the recyclers to be profitable. The question remaining deals with the quantum of the duty, rather than the principle.



Environmental impact

At the end of the line, ill-conceived policies, impacting the value of various categories of scrap metal, may cause the realisable value of scrap to drop below the cost of transporting the scrap to geographical areas where local demand may exist. The realisable value of collected scrap may be below the cost of processing the scrap metal to be useable in the melting processes of the consumers of the scrap metal. This may be particularly relevant in areas further away from the consumers of the scrap or the ports where the product may be exported from.

The result may be an accumulation of uncollected scrap with potentially adverse environmental consequences.

Product quality directly impacts salability and disruptive inflexible policies, out of step with commercial realities, may result in an increase in uncollected scrap metal due to unforeseen market conditions and resultant price trends.

This introduces an environmental dynamic that varies according to geographical location.

By way of example, a railroad trip from South Africa via Beit Bridge to Zimbabwe's Victoria Falls, illustrates a countryside strewn with discarded scrap metal, presumably rendered without value through ill-conceived government policy.

Conclusion

Considering the far-reaching impact, the proposals contained in the TLAB are likely to have on the scrap metal generators, collectors and the recycling sector and given the sheer number of employment opportunities that are at risk should the current proposals be enacted as contained in the draft TLAB, we propose the following:

1. A more nuanced export duty, with duty levels more relevant to specific metals or metal groups, excluding scrap metal not required by domestic consumers, or exported in such small volumes that the imposition of an export duty will serve no purpose.
2. *Ad valorem*, rather than fixed rates of duty, to avoid distortion that will occur when applying a relatively high fixed Rand value export duty, to a relatively low value product.
3. The creation of a relief mechanism by way of an export duty rebate in instances where local supply exceeds demand.

Any export duty, if introduced, should still ensure the viability of the collectors and the recycling sector, without which the users of the scrap metal will find themselves without a source of supply.

Banning exports, or setting duty levels with the sole objective of lowering input cost for users of scrap metal will be self defeating.



Export cost and duty level impact by metal category

Ferrous steel

| | | | | | | | | | | | | | | | | | Basis: 25t per TEU (full container load) | | | | |
|------|------------|----------------------------------|-----------|-----------------------|---------------|----------------|------------|-------------|-----------|------------------------|-------------------------|-------------------------------|-----------|--------------------------------|--------------------------|-----------|--|--------------|---------------------------|--|--|
| | | | | | | | | | | | | | | | | | R 10 000 | \$500 | R 3 500 | | |
| | | | | | | | | | | | | | | | | | R 400 | \$20 | R 140 | | |
| Item | Tariff | COPPER Product name | ISRI code | Metal Bulletin ("MB") | Achievability | CIF sale / ton | Freight | | | Export cost | | Ad valorem duty + export cost | | | Fixed duty + export cost | | | SA demand | | | |
| | | | | | | | JHB to DBN | Sea freight | Port dues | Cost to export per ton | Export cost as % of CIF | Tax (ad valorem) 10% | Net value | Export + duty cost as % of CIF | Tax (fixed) | Net value | Export + duty cost as % of CIF | | | | |
| 1 | 7204.29.00 | Bushelling steel | 242 | R4 628 | 110.0% | R 5 090.41 | R400 | R333 | R140 | R873 | 17.15% | R476 | R3 741 | 26.5% | R1 000 | R3 217 | 36.8% | High | | | |
| 2 | 7204.29.00 | Cast iron / steel shavings mixed | 220 | R4 628 | 40.0% | R 1 851.06 | R400 | R333 | R140 | R873 | 47.17% | R152 | R826 | 55.4% | R1 000 | -R22 | 101.2% | Limited | | | |
| 3 | 7204.29.00 | Cast iron large | 255 | R4 628 | 70.0% | R 3 239.35 | R400 | R333 | R140 | R873 | 26.96% | R291 | R2 076 | 35.9% | R1 000 | R1 366 | 57.8% | Limited | | | |
| 4 | 7204.29.00 | Cast iron small | 257 | R4 628 | 90.0% | R 4 164.88 | R400 | R333 | R140 | R873 | 20.97% | R383 | R2 909 | 30.2% | R1 000 | R2 292 | 45.0% | Reasonable | | | |
| 7 | 7204.29.00 | Heavy melting steel no1 | 201 | R4 628 | 105.0% | R 4 859.03 | R400 | R333 | R140 | R873 | 17.97% | R453 | R3 533 | 27.3% | R1 000 | R2 986 | 38.6% | High | | | |
| 8 | 7204.29.00 | Heavy melting steel no2 | 205 | R4 628 | 100.0% | R 4 627.65 | R400 | R333 | R140 | R873 | 18.87% | R429 | R3 325 | 28.1% | R1 000 | R2 754 | 40.5% | High | | | |
| 9 | 7204.29.00 | New black bales | 208 | R4 628 | 110.0% | R 5 090.41 | R400 | R333 | R140 | R873 | 17.15% | R476 | R3 741 | 26.5% | R1 000 | R3 217 | 36.8% | High | | | |
| 10 | 7204.29.00 | New black loose | 207 | R4 628 | 105.0% | R 4 859.03 | R400 | R333 | R140 | R873 | 17.97% | R453 | R3 533 | 27.3% | R1 000 | R2 986 | 38.6% | High | | | |
| 11 | 7204.29.00 | No2 bundles | 209 | R4 628 | 90.0% | R 4 164.88 | R400 | R333 | R140 | R873 | 20.97% | R383 | R2 909 | 30.2% | R1 000 | R2 292 | 45.0% | Reasonable | | | |
| 12 | 7204.29.00 | Plate & structural steel | 236 | R4 628 | 108.0% | R 4 997.86 | R400 | R333 | R140 | R873 | 17.47% | R466 | R3 658 | 26.8% | R1 000 | R3 125 | 37.5% | High | | | |
| 13 | 7204.29.00 | Steel shavings | 219 | R4 628 | 50.0% | R 2 313.82 | R400 | R333 | R140 | R873 | 37.74% | R198 | R1 243 | 46.3% | R1 000 | R441 | 81.0% | Limited | | | |
| 15 | 7204.29.00 | Tin plate | 216 | R4 628 | 85.0% | R 3 933.50 | R400 | R333 | R140 | R873 | 22.20% | R360 | R2 700 | 31.4% | R1 000 | R2 060 | 47.6% | Limited | | | |
| 16 | 7204.29.00 | Used food / beverage cans | 213 | R4 628 | 50.0% | R 2 313.82 | R400 | R333 | R140 | R873 | 37.74% | R198 | R1 243 | 46.3% | R1 000 | R441 | 81.0% | Limited | | | |
| 17 | 7204.29.00 | Wire bundles | 214 | R4 628 | 80.0% | R 3 702.12 | R400 | R333 | R140 | R873 | 23.59% | R337 | R2 492 | 32.7% | R1 000 | R1 829 | 50.6% | Limited | | | |
| | | | | | | | | | | 24.6% | | | | 33.6% | | | | 52.7% | Av. Cost to export | | |



Copper - Red metals

| | | | | | | | | | | | | | Basis: 20t per TEU (full container load) | | | | | | | | | | | | | | | |
|------|------------|--------|-------------------------|-------------|--------------------------------|------------|----------------|--------------------|-------------|-----------|------------------------|-----------------------------|--|-----------------------------|--------------------------------|-------------|--------------------------------|--------------------------------|------------|--------------------------------|--------------|--------------------------|--|--|--|--|--|--|
| | | | | | | | | | | | | | R 10 000 | \$500 | R 3 500 | | | | | | | | | | | | | |
| | | | | | | | | | | | | | R 500 | \$25 | R 175 | | | | | | | | | | | | | |
| | | | | | | | | | | | | | Export cost | | Ad valorem duty + export cost | | | Fixed duty + export cost | | | | | | | | | | |
| | | | | | | | | | | | | | Cost to export per ton | Export cost as % of CIF per | Tax (ad valorem) 5% | Net value | Export + duty cost as % of CIF | Tax (fixed) | Net value | Export + duty cost as % of CIF | | | | | | | | |
| Item | Tariff | COPPER | Product name | ISRI code | London Metals Exchange ("LME") | Achievable | CIF sale / ton | Freight JHB to DBN | Sea freight | Port dues | Cost to export per ton | Export cost as % of CIF per | Tax (ad valorem) 5% | Net value | Export + duty cost as % of CIF | Tax (fixed) | Net value | Export + duty cost as % of CIF | | | | | | | | | | |
| 1 | 7404.00.1C | Cu | bright shiny | BARLEY | R111 455 | 95.00% | R105 883 | R500 | R417 | R175 | R1 092 | 1.03% | R5 273 | R99 518 | 6.0% | R8 426 | R96 365 | 9.0% | High | | | | | | | | | |
| 2 | 7404.00.9C | Cu | Radiators | OCEAN | R111 455 | 50.00% | R55 728 | R500 | R417 | R175 | R1 092 | 1.96% | R2 766 | R51 871 | 6.9% | R8 426 | R46 210 | 17.1% | Limited | | | | | | | | | |
| 3 | 7404.00.1C | Cu1A | | BERRY | R111 455 | 90.00% | R100 310 | R500 | R417 | R175 | R1 092 | 1.09% | R4 995 | R94 224 | 6.1% | R8 426 | R90 792 | 9.5% | High | | | | | | | | | |
| 4 | 7404.00.1C | Cu | SB granules | CLOVE | R111 455 | 85.00% | R94 737 | R500 | R417 | R175 | R1 092 | 1.15% | R4 716 | R88 930 | 6.1% | R8 426 | R85 220 | 10.0% | High | | | | | | | | | |
| 5 | 7404.00.1C | Cu2 | mixed | BIRCH/CLIFF | R111 455 | 85.00% | R94 737 | R500 | R417 | R175 | R1 092 | 1.15% | R4 716 | R88 930 | 6.1% | R8 426 | R85 220 | 10.0% | High | | | | | | | | | |
| 6 | 7404.00.1C | Cu2 | pipes | CLIFF | R111 455 | 85.00% | R94 737 | R500 | R417 | R175 | R1 092 | 1.15% | R4 716 | R88 930 | 6.1% | R8 426 | R85 220 | 10.0% | High | | | | | | | | | |
| 7 | 7404.00.1C | Cu2 | tin / granules | TINN | R111 455 | 85.00% | R94 737 | R500 | R417 | R175 | R1 092 | 1.15% | R4 716 | R88 930 | 6.1% | R8 426 | R85 220 | 10.0% | High | | | | | | | | | |
| 8 | 7404.00.1C | Cu | braziers | DREAM | R111 455 | 75.00% | R83 592 | R500 | R417 | R175 | R1 092 | 1.31% | R4 159 | R78 341 | 6.3% | R8 426 | R74 074 | 11.4% | High | | | | | | | | | |
| 9 | 7404.00.9C | Cu | Pyro / elements | DROVE | R111 455 | 20.00% | R22 291 | R500 | R417 | R175 | R1 092 | 4.90% | R1 094 | R20 106 | 9.8% | R8 426 | R12 774 | 42.7% | Limited | | | | | | | | | |
| 10 | 7404.00.9C | Cu | winding electric motors | ELMO | R111 455 | 10.00% | R11 146 | R500 | R417 | R175 | R1 092 | 9.79% | R536 | R9 518 | 14.6% | R8 426 | R1 628 | 85.4% | Limited | | | | | | | | | |
| 11 | 7404.00.2C | Brass | 70/30 new | LABEL | R111 455 | 70.00% | R78 019 | R500 | R417 | R175 | R1 092 | 1.40% | R3 880 | R73 047 | 6.4% | R8 426 | R68 501 | 12.2% | Reasonable | | | | | | | | | |
| 12 | 7404.00.3C | Brass | Alu bronze | IVORY | R111 455 | 50.00% | R55 728 | R500 | R417 | R175 | R1 092 | 1.96% | R2 766 | R51 871 | 6.9% | R8 426 | R46 210 | 17.1% | Limited | | | | | | | | | |
| 13 | 7404.00.2C | Brass | cartridge cases | LAKE | R111 455 | 65.00% | R72 446 | R500 | R417 | R175 | R1 092 | 1.51% | R3 601 | R67 753 | 6.5% | R8 426 | R62 929 | 13.1% | Limited | | | | | | | | | |
| 14 | 7404.00.2C | Bronze | GM solids | EBONY | R111 455 | 75.00% | R83 592 | R500 | R417 | R175 | R1 092 | 1.31% | R4 159 | R78 341 | 6.3% | R8 426 | R74 074 | 11.4% | High | | | | | | | | | |
| 15 | 7404.00.2C | Bronze | GM swarf | ENERV | R111 455 | 70.00% | R78 019 | R500 | R417 | R175 | R1 092 | 1.40% | R3 880 | R73 047 | 6.4% | R8 426 | R68 501 | 12.2% | High | | | | | | | | | |
| 16 | 7404.00.2C | Brass | heavy | HONEY | R111 455 | 60.00% | R66 873 | R500 | R417 | R175 | R1 092 | 1.63% | R3 323 | R62 459 | 6.6% | R8 426 | R57 356 | 14.2% | High | | | | | | | | | |
| 17 | 7404.00.2C | Brass | light | LARK | R111 455 | 60.00% | R66 873 | R500 | R417 | R175 | R1 092 | 1.63% | R3 323 | R62 459 | 6.6% | R8 426 | R57 356 | 14.2% | High | | | | | | | | | |
| 18 | 7404.00.3C | Bronze | Manganese | PARCH | R111 455 | 50.00% | R55 728 | R500 | R417 | R175 | R1 092 | 1.96% | R2 766 | R51 871 | 6.9% | R8 426 | R46 210 | 17.1% | Limited | | | | | | | | | |
| 19 | 7404.00.9C | Brass | - mix turnings | DRINK | R111 455 | 40.00% | R44 582 | R500 | R417 | R175 | R1 092 | 2.45% | R2 208 | R41 282 | 7.4% | R8 426 | R35 065 | 21.3% | Limited | | | | | | | | | |
| 20 | 7404.00.2C | Brass | swarf | NIGHT | R111 455 | 45.00% | R50 155 | R500 | R417 | R175 | R1 092 | 2.18% | R2 487 | R46 577 | 7.1% | R8 426 | R40 637 | 19.0% | Reasonable | | | | | | | | | |
| | | | | | | | | | | | 2.1% | | | | 7.1% | | | | | | 18.4% | Av. Cost to expor | | | | | | |



Aluminium - White metals

Basis: 15t per TEU (full container load)
 R 10 000 \$500 R 3 500
 R 667 \$33 R 233

| Item | Tariff | COPPER Product name | ISRI code | London Metals Exchang e | Achievable | CIF sale / ton | Freight | | | Export cost per ton | Export cost as % of CIF | Ad valorem duty + export cost | | Fixed duty + export cost | | | SA demand | |
|------|------------|--------------------------|-----------|-------------------------|------------|----------------|------------|-------------|-----------|---------------------|-------------------------|-------------------------------|--------------|--------------------------------|-------------|-----------|--------------|--------------------------------|
| | | | | | | | JHB to DBN | Sea freight | Port dues | | | Tax (ad valorem) 5% | Net value | Export + duty cost as % of CIF | Tax (fixed) | Net value | | Export + duty cost as % of CIF |
| 1 | 7602.00.00 | Alu wire soft | TALON | R28 755 | 90.00% | R25 880 | R667 | R555 | R233 | R1 455 | 5.62% | R1 266 | R23 158 | 10.5% | R3 000 | R21 424 | 17.2% | Reasonable |
| 2 | 7602.00.00 | Alu wire alloy | TASSEL | R28 755 | 85.00% | R24 442 | R667 | R555 | R233 | R1 455 | 5.95% | R1 194 | R21 792 | 10.8% | R3 000 | R19 987 | 18.2% | Reasonable |
| 3 | 7602.00.00 | Alu 6063 extrusion | TOTO | R28 755 | 80.00% | R23 004 | R667 | R555 | R233 | R1 455 | 6.33% | R1 122 | R20 426 | 11.2% | R3 000 | R18 549 | 19.4% | Limited |
| 4 | 7602.00.00 | Alu wheel rims | TROMA | R28 755 | 80.00% | R23 004 | R667 | R555 | R233 | R1 455 | 6.33% | R1 122 | R20 426 | 11.2% | R3 000 | R18 549 | 19.4% | Limited |
| 5 | 7602.00.00 | Alu cast | TENSE | R28 755 | 60.00% | R17 253 | R667 | R555 | R233 | R1 455 | 8.44% | R835 | R14 963 | 13.3% | R3 000 | R12 798 | 25.8% | Reasonable |
| 6 | 7602.00.00 | Alu pistons | TARRY | R28 755 | 60.00% | R17 253 | R667 | R555 | R233 | R1 455 | 8.44% | R835 | R14 963 | 13.3% | R3 000 | R12 798 | 25.8% | Reasonable |
| 7 | 7602.00.20 | Alu Cu radiators | TALK | R28 755 | 70.00% | R20 129 | R667 | R555 | R233 | R1 455 | 7.23% | R979 | R17 695 | 12.1% | R3 000 | R15 673 | 22.1% | Limited |
| 8 | 7602.00.00 | Alu Litho sheet | TABLET | R28 755 | 85.00% | R24 442 | R667 | R555 | R233 | R1 455 | 5.95% | R1 194 | R21 792 | 10.8% | R3 000 | R19 987 | 18.2% | High |
| 9 | 7602.00.00 | Alu new sheet | TOUGH | R28 755 | 65.00% | R18 691 | R667 | R555 | R233 | R1 455 | 7.79% | R907 | R16 329 | 12.6% | R3 000 | R14 236 | 23.8% | Reasonable |
| 10 | 7602.00.00 | Alu new offcuts | TABOO | R28 755 | 65.00% | R18 691 | R667 | R555 | R233 | R1 455 | 7.79% | R907 | R16 329 | 12.6% | R3 000 | R14 236 | 23.8% | Reasonable |
| 11 | 7602.00.00 | Alu Old sheet | TAINT | R28 755 | 60.00% | R17 253 | R667 | R555 | R233 | R1 455 | 8.44% | R835 | R14 963 | 13.3% | R3 000 | R12 798 | 25.8% | Reasonable |
| 12 | 7602.00.00 | Alu radiators | TALLY | R28 755 | 50.00% | R14 378 | R667 | R555 | R233 | R1 455 | 10.12% | R691 | R12 231 | 14.9% | R3 000 | R9 922 | 31.0% | Limited |
| 13 | 7602.00.00 | Alu shavings | TELIC | R28 755 | 35.00% | R10 064 | R667 | R555 | R233 | R1 455 | 14.46% | R475 | R8 134 | 19.2% | R3 000 | R5 609 | 44.3% | Limited |
| 14 | 7602.00.00 | Alu UBC | TALDON | R28 755 | 55.00% | R15 815 | R667 | R555 | R233 | R1 455 | 9.20% | R763 | R13 597 | 14.0% | R3 000 | R11 360 | 28.2% | Limited |
| 15 | 7602.00.00 | Alu foil | TERSE | R28 755 | 40.00% | R11 502 | R667 | R555 | R233 | R1 455 | 12.65% | R547 | R9 499 | 17.4% | R3 000 | R7 047 | 38.7% | Limited |
| 16 | 7602.00.00 | Alu foil - laminated | TESLA | R28 755 | 20.00% | R5 751 | R667 | R555 | R233 | R1 455 | 25.31% | R260 | R4 036 | 29.8% | R3 000 | R1 296 | 77.5% | None |
| 17 | 7602.00.00 | Alu venetian blinds | N/A | R28 755 | 20.00% | R5 751 | R667 | R555 | R233 | R1 455 | 25.31% | R260 | R4 036 | 29.8% | R3 000 | R1 296 | 77.5% | None |
| 18 | 7602.00.00 | Alu bottle tops | N/A | R28 755 | 20.00% | R5 751 | R667 | R555 | R233 | R1 455 | 25.31% | R260 | R4 036 | 29.8% | R3 000 | R1 296 | 77.5% | None |
| 19 | 7602.00.00 | Alu dross | THIRL | R28 755 | 15.00% | R4 313 | R667 | R555 | R233 | R1 455 | 33.74% | R188 | R2 670 | 38.1% | R3 000 | -R142 | 103.3% | Limited |
| 20 | 7902.00.00 | Zinc Die Cast Fe10 | SAVES | R39 151 | 50.00% | R19 576 | R500 | R417 | R175 | R1 092 | 5.58% | R958 | R17 526 | 10.5% | R3 000 | R15 484 | 20.9% | Limited |
| 21 | to confirm | Alu23 Magnesium castings | WALN | | | R5 000 | R500 | R417 | R175 | R1 092 | 21.83% | R229 | R3 679 | 26.4% | R3 000 | R909 | 81.8% | None |
| | | | | | | | | | | 12.5% | | | 17.2% | | | | 39.1% | Av. Cost to export |



Other

Basis: 20t per TEU (full container load)
 R 10 000 \$500 R 3 500
 R 500 \$25 R 175

| Item | Tariff | COPPER Product name | ISRI code | London Metals Exchange ("LME") | Achievable | CIF sale / ton | Freight | | | Export cost | | Ad valorem duty + export cost | | | Fixed duty + export cost | | | SA demand |
|------|------------|---------------------|-----------|--------------------------------|------------|----------------|------------|-------------|-----------|------------------------|-------------------------|-------------------------------|-----------|--------------------------------|--------------------------|-----------|--------------------------------|-----------|
| | | | | | | | JHB to DBN | Sea freight | Port dues | Cost to export per ton | Export cost as % of CIF | Tax (ad valorem) 10% | Net value | Export + duty cost as % of CIF | Tax (fixed) | Net value | Export + duty cost as % of CIF | |
| 1 | 7204.21.00 | s304 SABOT | SABOT | R237 405 | 8.50% | R20 179 | R500 | R417 | R175 | R1 092 | 5.41% | R1 976 | R17 112 | 15.2% | R1 000 | R18 088 | 10.4% | High |
| 2 | 7204.21.00 | s316 solids | N/A | R237 405 | 12.00% | R28 489 | R500 | R417 | R175 | R1 092 | 3.83% | R2 807 | R24 590 | 13.7% | R1 000 | R26 397 | 7.3% | High |
| 3 | 7503.00.00 | ss elements | DEPTH | R237 405 | 5.00% | R11 870 | R500 | R417 | R175 | R1 092 | 9.20% | R1 145 | R9 633 | 18.8% | R1 000 | R9 779 | 17.6% | Limited |
| 4 | 7204.21.00 | ss Magnetic <Cr15 | N/A | R237 405 | 2.25% | R5 342 | R500 | R417 | R175 | R1 092 | 20.43% | R493 | R3 758 | 29.7% | R1 000 | R3 250 | 39.2% | High |
| 5 | 7204.21.00 | ss 430/441 >Cr15 | N/A | R237 405 | 2.75% | R6 529 | R500 | R417 | R175 | R1 092 | 16.72% | R611 | R4 826 | 26.1% | R1 000 | R4 437 | 32.0% | High |
| 6 | 7204.21.00 | ss shav 304 | ULTRA | R237 405 | 5.000% | R11 870 | R500 | R417 | R175 | R1 092 | 9.20% | R1 145 | R9 633 | 18.8% | R1 000 | R9 779 | 17.6% | High |
| 7 | 7204.21.01 | s201 solids | N/A | R237 405 | 2.750% | R6 529 | R500 | R417 | R175 | R1 092 | 16.72% | R611 | R4 826 | 26.1% | R1 000 | R4 437 | 32.0% | None |
| 8 | 8507.10.11 | Lead batteries | RINK | R29 988 | 40.00% | R11 995 | R500 | R417 | R175 | R1 092 | 9.10% | R1 158 | R9 746 | 18.8% | R1 000 | R9 904 | 17.4% | Limited |
| 9 | 8548.10.10 | Lead battery plates | RAIL | R29 988 | 50.00% | R14 994 | R500 | R417 | R175 | R1 092 | 7.28% | R1 458 | R12 445 | 17.0% | R1 000 | R12 903 | 13.9% | Limited |
| 10 | 7802 | Lead | RADIO | R29 988 | 75.00% | R22 491 | R500 | R417 | R175 | R1 092 | 4.85% | R2 207 | R19 192 | 14.7% | R1 000 | R20 400 | 9.3% | Limited |