****

**NATIONAL ASSEMBLY**

**WRITTEN REPLY**

**PARLIAMENTARY QUESTION: 1830**

**DATE OF PUBLICATION: 9 SEPTEMBER 2016**

**Dr M J Cardo (DA) to ask the Minister of Economic Development:**

How does the Industrial Development Corporation intend to place its subsidiaries, (a) Scaw Metals and (b) Foskor, on a commercially sustainable footing given that the former made a loss of R 1,1 billion and the latter R 568 million in the 2015-16 financial year? NW2139E

**REPLY**

I have drawn to the IDC’s attention the need to fast-track a turnaround strategy for Scaw Metals and Foskor and requested the IDC Board to regularly review progress with such turnaround strategy. Both companies are in significant sectors of the economy, namely in the metal and fertiliser value-chains and their products are used in downstream industries.

The Chief Executive Officer of the IDC advises the following in respect of the two investments:

1. Scaw Metals is in the process of finalizing the restructuring of the group, which will result in the introduction of Strategic Equity Partners (SEPs) in some or all of the four steel operations. The SEP’s are expected to add the necessary operational expertise to turn around the businesses. This process is underway and the decision will be made towards the end of the current financial year after evaluating all the proposals. The interested SEP’s have similar businesses and their core competencies are aligned to that of Scaw businesses.
2. Foskor’s financial performance is dependent on market prices for its products, which are largely commodities. Global prices have softened since their peak in 2008-2010 as a result of supply and demand dynamics. Although this is substantially outside Foskor’s control, there are opportunities to upgrade equipment and improve production efficiencies to place it on a firmer footing. Foskor has therefore developed an investment and performance improvement plan, which also entails IDC finance. Although this will result in improved competitiveness, the timing to achieve sustainable levels of profitability will remain dependent on the speed of recovery of market prices.

**-END-**