****

**NATIONAL ASSEMBLY**

**WRITTEN REPLY**

**PARLIAMENTARY QUESTION: 4139**

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

(1) With regard to the Memorandum of Understanding signed between the Industrial Development Corporation and China’s Hebei Iron & Steel Group in September 2015, (a) what were the terms of reference of the feasibility study for a greenfield steel plant, (b) what is the total estimated cost of the plant, (c) how many metric tons of steel is the plant expected to produce annually and (d) how many jobs is the plant expected to create;

(2) whether the specified feasibility study has been completed; if not, why not; if so, what are the relevant details? NW5012E

**REPLY**

1. The Memorandum of Understanding was executed in September 2014.
2. The terms of reference include undertaking and completing a pre-feasibility study (“PFS”) for a new low cost steel production facility in South Africa (the “Project”) that will meet international environmental compliant standards using raw materials that are locally and regionally available. The envisage Project had to be a profitable low cost producer of a broad spectrum of steel products required by the South African and Sub-Saharan markets

Furthermore, it envisages the establishment of a down-stream industrial park to process some of the steel products to finished goods for domestic and export markets.

1. The estimated total capital outlay of the envisage plant is USD 5 billion which is R70 billion at R14/$. The Project will be funded partly with debt (up to 60%) and partly with equity (40%). The objective of the IDC is to play a catalytical role in the establishment of the facility and not to have a controlling interest in the project.
2. The plant will be designed to have a capacity of 5 million tons of steel per annum. During the detailed feasibility study, consideration will be given to the option to build the Project in two phases of approximately 2.5 million tons each.
3. The labour force to construct the Project is estimated to peak at around 11000 and construction will span over a period of at least 42 months. The operational labour requirement for the Project is estimated at 3 500.

An earlier pre-feasibility study was completed, based on the use of a Rotary Hearth Furnace (“RHF”) technology. Since Hebei seeks to use a different technology, further pre-feasibility studies will be conducted. For details of the earlier pre-feasibility study outcomes, the attention of the Honourable Member is drawn to the reply submitted to Parliamentary Question 4138.

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