**THE NATIONAL ASSEMBLY**

 **QUESTION FOR WRITTEN REPLY**

**735 Ms D Carter (Cope) to ask the Minister of Trade and Industry:**

Whether Government, in line with its policy to increase beneficiation of minerals, has succeeded in encouraging entrepreneurs to utilise South African steel which is struggling to find ready markets to produce (a) automotive parts, such as chassis, for export around the world, (b) high quality cutlery, (c) pots and pans, (d) wire fencing, (e) hulls for boats and ships; if not, why not; if so, how is South African produced steel being used in component and product manufacture for domestic consumption and for export as well?NW852E

**Response:**

South Africa’s industrial policy has sought to strengthen the downstream more labour-intensive segments of manufacturing while ensuring that the competitive advantage enjoyed by upstream capital- and energy- intensive and export-oriented industries is retained and enhanced. In the steel value chain, to promote beneficiation, cost competitiveness and viability of SA’s steel industry, government has had protracted engagements with the dominant player since 2004 to give effect to the national developmental obligations - to ensure a competitive steel pricing regime to support the development and deepening of value-added manufactured products in downstream industries.

It must be noted that the dominant player’s practice of import parity pricing coupled with underinvestment, inefficiencies and resulting plant failures contributed to a significant decline in the competitiveness of steel produced in SA that has led to a trend in which downstream users have adapted to the requirements of importing steel including being accustomed to foreign supply chains, lower prices and in some cases the need for speciality steel qualities and grades.

How is South African produced steel being used in component and product manufacture for domestic consumption and for export:

Approximately 70% of SA produced steel is sold locally for use in downstream fabrication, component and product manufacturing with the remaining being exported into the region. Key demand sectors include construction, mining and packaging. SA has the capacity to produce 9 million tons of steel per annum and local steel consumption is currently at 5 million tons per annum (imports account for about 20% of SA consumption).

Localisation of steel in the following sectors/sub sectors is as follows (a) in the automotive sector a number of the specific automotive steel grades are not produced locally (b) cooking ware and (c) cutlery are the main drivers of the stainless steel consumption in the consumer goods sub-sector. However, the competitiveness of the local producers has been eroded by rising imports, especially from the East. SA’s apparent stainless steel consumption was estimated at 166 600 tons in 2015. During this period, cookware and cutlery exports reached approximately 6000 and 800 tons, respectively. Government together with the industry association, Southern African Stainless Steel Development Association (SASSDA) as well as Columbus Stainless continue to engage to develop sustainable solutions for the local industry (d) wire and wire products have experienced a 13% increase in imports in 2015 compared to the previous year and the South African Wire Association (SAWA) are in the process of re-applying for import duties for certain wire products. Exports of wire and wire products declined for the same period (e) the boatbuilding sub-sector specialises in the manufacture of multihull catamarans and is the world’s second largest producer of vessels in this category (after France) acknowledged for excellence. The sub-sector currently exports approximately 77% of its production. The construction of hulls and ships also requires specialised grades of steel which cannot be sourced locally.

To address the extremely adverse steel conditions characterised by oversupply, depressed demand and increasing imports government has taken a number of steps to develop an integrated set of measures - both supply-side policy support and industry reform measures - that would have to be adopted to achieve the objective of a sustainable steel industry in SA. These measures include (1) tariff protection subject to independent assessment by the International Trade and Administration Commission (2) support for the localisation of steel in state procurement and government infrastructures spend subject to cost competitiveness and affordability and (3) steel pricing principles. Industry reform measures include commitments to capital investment in product lines for key sectors of the economy and a maintenance plan in line with world best practices.

Taking into account the steel crisis and very serious threat to the SA industry, government is working closely with all stakeholders to secure and upgrade existing domestic steel production capacity; protect downstream steel intensive manufacturers and retain employment in order not to lose SA’s strategic steel capacity and capabilities.