The South African Steel and Metal Fabrication Master Plan 1.0

SUPPORT FOR THE STEEL VALUE CHAIN

the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

2030 NDP

towards full-scale industrialisation and inclusive growth
the dtic Customer Contact Centre: 0861 843 384
Website: www.thedtic.gov.za

SUPPORT FOR THE STEEL MASTERPLAN

The following government, industry and labour representatives commit as workstream leads to work with all social partners towards the Master Plan outcomes

NAME	DESIGNATION	SIGNATURE
Ebrahim Patel Minister	Department of Trade, Industry and Competition	
Irvin Jim General Secretary	Numsa	
Marius Croukamp Deputy General Secretary	Solidarity	
Kobus Verster CEO Arcelor Mittal SA	Supply-side	
Freddy Mugeri CEO Fabchem Mining	Demand-side	
Elias Monage CEO Afika Power	African Continental Free Trade Area Agreement	
Johan Strydom CEO Columbus Stainless Steel	Resource Mobilisation	
Nonhlanhla Ngwenya MD MphoNo Energies	Human Resources	
Tumi Tsehlo CEO Dynamic Fluid Control	Transformation	
Portia Derby Group CEO	Transnet	

STATUS OF THE DOCUMENT

This document consolidates the comments received from the steel and steel products industry and stakeholders in government on the first draft of the Steel Master Plan. The first draft, which was circulated for comment on 6 October 2020, was the outcome of discussions held between industry stakeholders and government facilitators. This document incorporates feedback received from industry and specific public entities. The Minister convened the first Steel Oversight Council to table this revised document and consider an implementation road-map.

The Implementation Plan covers the immediate priorities from the base document, setting out the areas of focus within the first six months, the first year, and the first three years.

This Master Plan will guide the stabilization and progress of the industry. It is a dynamic document, hence it is called version 1.0, and it is expected that changes will be made when necessary following discussion at the Steel Oversight Council. Such changes will aim to take account of the developments in the industry, including internal and the external factors which affect the industry.

CHAPTER 1

1. INTRODUCTION TO THE STEEL MASTER PLAN

This Master Plan has been prepared to support and anchor the implementation of the Re-imagined Industry Strategy and the Reconstruction and Recovery Plan launched by the President in October 2020. A large number of interactions have taken place with the industry, including both employers and unions, with economists and researchers, State-Owned Enterprises and many others. There is a large amount of research backing the Master Plan, but it is not included in this document. The Master Plan seeks solutions rather than reiterating the well-known problems. This Master Plan builds on the excellent work and proposed measures by the Steel Task Team in 2016, but sets out mechanisms to accelerate and make the previous measures more effective to achieve the desired impact. The key thrust is of this Master Plan is collaborative effort between the social partners, focused on fast-tracking implementation and assisting government institutions to be more agile and responsive.

In designing the Plan, it was therefore important to bring all key stakeholders to build consensus on a policy that can drive towards a competitive, dynamic and inclusive industry and which is able to provide a stable platform for investment, growth and job creation. Therefore, a dual process has been adopted, i.e. to finalise and sign-off on the Master Plan and its future iterations while continuing to sharpen the implementation of the on-going support measures afforded to the industry, set out elsewhere in the document.

1.1 WHY THE STEEL MASTER PLAN 1.0?

The Steel Master Plan 1.0 represents a consolidation of feedback from the industry, labour and regulators. Gaps identified in the initial draft have been addressed. Government is mindful of the need to build a broad consensus on measures to rebuild the entire value chain, which is highly fragmented, has many sectorally-distinct interests, and could therefore take some time to rebuild. In view of the need to move with speed, the approach adopted is to have this Master Plan in place (hence the name, Steel Master Plan 1.0) and to continually review, adapt and adjust based on the experience gleaned from implementation. Smaller changes may result in new iterations of the Plan (e.g. Steel Master Plan 1.1), while major changes may with time require significant resets of targets or level of ambition as the industry develops and conditions change, resulting in a Steel Master Plan 2.0. Note, however, that the Steel Master Plan 1.0 is already intended to establish a stable and predictable trajectory for the industry, so that businesses and investors can invest with confidence in building up production capacity, innovation, skills and expertise.

The Steel Master Plan is not intended to be principally a detailed analysis document of the state of the industry. It is rather a focused set of practical steps which must be implemented on a consistent basis. The emphasis in the Master Plan is therefore on concrete commitments by each of the major stakeholders: investors/manufacturers throughout the different steel and engineering value-chains; organized labour; supplier and customer industries; and public sector entities. As implementation takes place, adjustments will be considered, based on experience. Constituencies are requested to identify additional commitments they are able to make. In particular, the current version of the Steel Master Plan requires firmer and clearer undertakings by firms, investors and organised labour. The commitments by government and public entities will depend on a balanced package of measures in which each social partner brings additional resources to the Plan, in order to change the direction of the industry. Commitments will be included in the implementation plan, with specific dates and resource commitments. More detailed sub-sector actions will also be developed during this second phase.

1.2 BROAD CONSENSUS ON THE NUANCE AND DIRECTION OF PLAN

There is common agreement that that the recovery and growth of the industry requires long-term thinking. The industry is now in survival mode and so focuses on cost cutting. Urgent measures are required to give the industry a breathing space and to ensure its survival. Although the industry is in crisis, there is investment taking place. It is the view of a number of investors that because of the significant excess capacity in both the upstream and downstream industries, the investment is limited and is like to continue to be muted until demand increases and there is consolidation in the industry. Most of the investment appears to be taking place in two areas: production of primary steel products (including direct reduction iron and pig iron) and downstream processing to replace higher value-added imports, particularly in the wire industry. It appears that family-owned or privately-held companies are more inclined to invest at this time than those which are owned by institutional investors, which tend to have a short-term view.

However, steelmaking and the downstream production of value-added products from steel are not short-term activities: they require long-term investment and some predictability for the industry. The decision to break up Iscor was based on short-term thinking: integrated production of steel is essential for its viability and it is not unreasonable to hope that the suppliers of ore, coal and other inputs would be receptive to participating in integrated steel production.

Revitalizing investments in the industry must be based on long-term objectives and take into account the environmental considerations and the imminent need to green production processes. The goal of production of green steel by 2050, based perhaps on the hydrogen economy, should be adopted by government and the industry. Funding for the green economy is available on favourable terms and should be seen as a key component of the way forward for the steel industry. This will apply equally to foundries and smelters, who will increasingly come under pressure from their customers (such as the international auto industry OEMs) to be green.

Long-term objectives are essential to transform the industry too. Helping Black investors to buy into failing companies which require large capital injections to turn them around is not attractive in a market which is not growing. Additional work will be undertaken on detailing opportunities for greening the industry and driving transformation. Already a set of clear opportunities are emerging to restore stability to the industry and to position it for growth. Establishing longer-term investment goals based on the greening of the industry and greater competitiveness, with growing infrastructure projects in South Africa and the African Continental Free Trade Area, will be a more viable path.

The key medium-term goal is to match supply to demand: there is over-capacity in basic long steel commodity products, but no supply of many of the steels which are required by the auto industry, the mines and the mining and yellow metal equipment sectors. The steel industry should have a clear goal - to produce some or all of the steel and components which these industries will need to comply with their local production targets.

There is widespread agreement in the feedback that supply-side interventions must be implemented more rapidly and effectively than in the past, but that the most important interventions must be to increase demand. The continued loss of domestic and export demand has devastated the industry. The Master Plan identifies some key interventions which can be driven or influenced by the industry.

Key emerging opportunities set out further in this document include:

Growth measures:

- **Infrastructure drive:** South Africa has a renewed focus on infrastructure, with the establishment of the Infrastructure Fund. The Office of the Presidency is managing the drive directly, providing an important impetus to growth. Discussions are now under way to identify locally-produced products that need to be drawn from suppliers for the new investment. Consensus has been developed at Nedlac in December 2020 that inputs for infrastructure should be manufactured locally. The Steel Master Plan sets out proposals for the effective implementation of localization, which emphasizes the need for the industry to be able to work with Infrastructure South Africa to provide information and options at the design stage of projects and not when it is too late to prevent components being specified which must be imported. Alignment of government infrastructure plans: The Department of Human Settlement is committed to a major expansion of housing and facilities. The DMRE is committed to powering these homes with LPG gas and solar water heating, which creates major opportunities for the domestic steel and steel products industry. The targets set out in the DMRE's Integrated Resource Plan for powering South Africa should be localized as far as possible and supported by the industry. Similarly, the Road to Rail programme provides both increased efficiency and substantial work opportunities for the industry.
- **Localisation:** South African SOEs like Transnet purchase significant quantities of steel products, such as rails. Transnet has committed to review their requirements and to work with the local industry on building local supply chains for large-scale projects and consumables. In addition, government is working with businesses across the economy, through Nedlac and other platforms, to improve the level and proportion of locally produced goods, including in the hardware and home improvement sector. Discussions have also begun with the mining industry on their procurement, which includes about R20 billion per year of consumables from the steel industry and significantly more on capital projects.

- **Export promotion:** The African continent represents a significant opportunity for South African steel makers and downstream processors. African countries (excluding South Africa) purchase nearly R400 billion of iron and steel each year and promotion activities must focus on opening these markets for SA steel, while at the same time promoting local partners in those countries. The Master Plan proposes that consideration be given to combined and integrated efforts to promote exports, particularly to the rest of the continent – an approach described as South Africa Inc. These should include export credit insurance, export rebates, consideration of an industry-level fund to support export efforts and greater use of South Africa's diplomatic relationships. Improved and early intelligence on projects and opportunities in Africa and a sharp focus on the most promising areas (such as agriculture, oil and gas, mining and infrastructure) are critically important. The development of a comprehensive approach to export promotion, especially focusing on SADC and sub-Saharan Africa, is essential for the industry to grow. The development of DFI and venture capital funding to support the development by South African exporters of JVs in Africa will be a critical success factor. SADC and the AfCFTA are a natural market, with some logistical advantages. A forum will be launched with interested parties to discuss the SA Inc approach to export promotion.
- **The Competition Commission has been consulted in respect of the development of JVs for export promotion:** The Commission is in principle in support that aggregation of demand and sharing of information on planned projects should be supported.However, the process to deepen footprints in export markets must be accompanied by measures to protect the availability of products for local customers at competitive prices and to promote domestic industrialisation. In this regard, a possible exemption can be considered to ensure a balanced approach.
- **Climate resilience and greening of the industry:** The green economy also provides opportunities for innovation and the development of new products. There are opportunities in the development of renewable energy, water recycling for a much drier South Africa, desalination, the building of dams, pipelines and reticulation. Green processes in production are likely to become a significant competitive advantage, especially in the export market. The Steel Master Plan proposes that the industry agree to a target for the industry to reach carbon neutrality by 2050, especially for the steel mills, foundries, forges, smelters and other power-intensive processes. This will include the increased use of renewable power, gas replacing coal power, the development of the hydrogen economy, water recycling and the more efficient use of water and waste reduction and recycling (the circular economy). Major gas pipelines are proposed, which will make lower-emission gas available for power and will also create significant work for the industry.
- **Development of industry value chains:** key manufacturing and mining value chains offer an immediate opportunity for growth. The implementation of the Automotive Master Plan will increase the demand for locally produced metal components as OEMs pursue their localization commitments under the plan. Discussions are now underway between the auto industry and steel sector players. In addition, work has begun with the mining industry to optimize procurement of locally produced steel products and engineering services. Sub-sector Master Plans are essential in this industry because of its scope. They should be developed by bringing together the entire supply chain and value chain for the sub-sector.
- **Reducing the administrative burden on doing business and aligning departmental regulations and incentives:** The President's Economic Recovery Plan has referred to this. The steel industry, more than anything else, needs growth in the economy in order to flourish. Rules and regulations from different departments and levels of government needs to be aligned to ensure on-time and to-cost execution of projects.

Stability measures:

- **Establishment of a Steel Industry Development Fund:** establishment of a fund to support critical industry projects is proposed, with funding sourced from a small levy on all primary steel sold in South Africa.
- **Government funding:** Government has established a R1.5 billion Downstream Steel Development Fund through the IDC to provide funding to the industry at concessional rates, and address weak balance sheets. In addition, **the dtic** industrial funding branch is developing a metal fabrication fund. There is a need and an opportunity to optimize these two funds to unlock growth opportunities and to reduce the administrative burden.

- **Designation under the Competition Act:** Industry consolidation may be necessary along certain parts of the value chain. A targeted designation by the Minister under the Competition Act is proposed, which would enable discussions between industry stakeholders to help manage consolidation. Such designation would require very clear protocols on the objectives of collaboration and information sharing. A consolidation programme directed simply at a managed reduction of capacity (and jobs) may not be in the public interest, whilst one that is directed at securing a higher level of local production and import replacement together with higher efficiencies may offer a public policy benefit that justifies such designation in term of the Act. Some consolidation is likely to take place simply as a result of market forces, but that may lead to further de-industrialisation and a discussion of options is preferable. It is therefore in the public interest as prescribed by Competition law, the scope for exemptions on consolidation should the thoroughly assessed on a case by case basis. The Commission is concerned that certain types of consolidation may have adverse consequences on competition in the long term. For example, aspects of consolidation involving specialisation around different products and geographic markets would extremely be concerning. Such aspects would effectively impose permanent forms of market division on the industry, reducing and not enhancing competition. There is scope for exemptions or mergers on consolidation, and this has to be thoroughly assessed on a case-by-case basis.
- **Supply of scrap metal:** Government has approved an export tax on scrap metal and other measures to help ensure the supply of affordable scrap metal to the domestic consuming industry. In addition, discussions between government and scrap dealers and consumers of scrap have been held to consider measures which can drive local beneficiation of scrap, while supporting the sustainability of the recycling industry. There should be an incentive for recyclers to beneficiate scrap further up the value chain than by simply melting it into ingots or billets for immediate export.
- **Consideration of input costs:** Discussions with key suppliers to the industry (including for instance ore, coal, rail, electricity, scrap as well as the cost of capital etc.) are essential to improve the competitiveness of the industry. It is proposed in this Master Plan that a coordinated effort at reviewing input costs be undertaken, with **the dtic** bringing key parties together.
- **Improving intelligence and information:** Information about production, costs, prices, margins and demand need to be collected to ensure the effective allocation of resources and support. Technical and research support to the Steel Oversight Council will be tasked with collating information on the industry. Work is beginning in key value chains to digitize production and demand information, to allow better inventory management and tracking and reporting of localization.
- **Capacitating and aligning key institutions:** A number of agencies and institutions play an important role in supporting the steel industry. These include the SABS, NRCS, ITAC, SARS and the IDC. A strategic, industry-focused approach is being developed to ensure key agencies have the capacity to provide world-class service and support. The establishment of industry standards and the ability to deal with illegal and sub-standard imports are critical to the success of the industry.

Further opportunities will be developed and implemented as the first phase of the plan has been implemented and as outcomes are evaluated. Some immediate steps have been taken already in anticipation of the Steel Master Plan, as interim measures. These include amendments to the regulations on scrap metal, following an initial restriction on exports, to ensure an affordable supply to local industry; and tariff adjustments for both primary and downstream steel products. The Master Plan builds on these and by setting out commitments from the industry, it provides a coherent and coordinated framework.

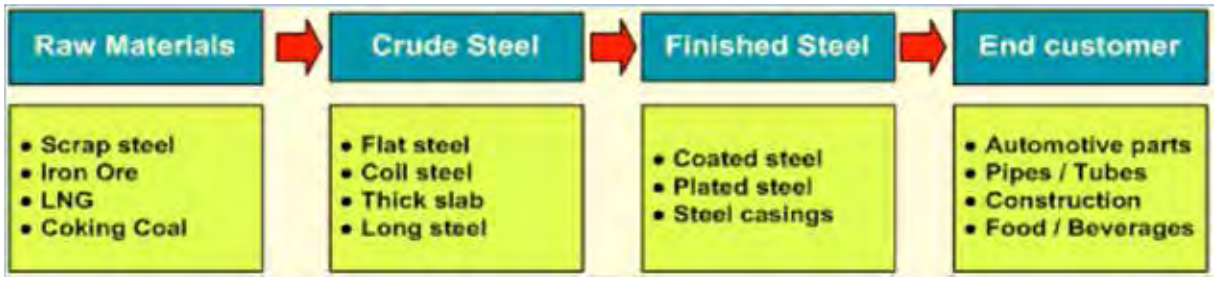
The responses to the draft Master Plan show that the major stakeholders have already committed themselves to supporting the Steel Master Plan process and many of the institutional building blocks are falling into place. The Steel Oversight Council must build on this to recreate the confidence in the industry which is indispensable for it to grow and prosper.

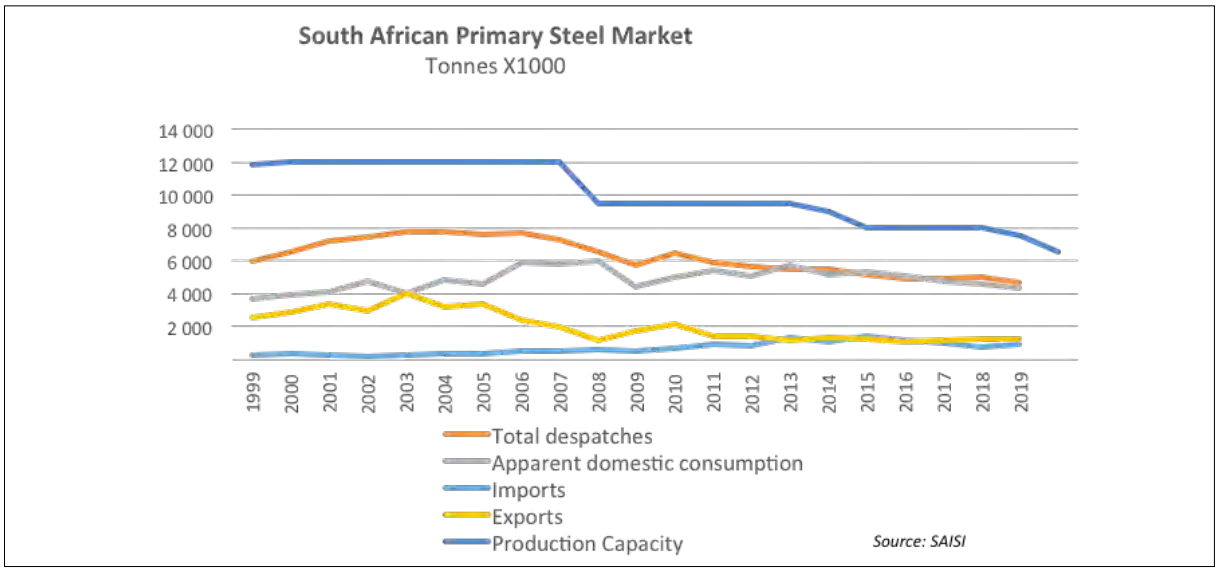
2. OVERVIEW AND STATUS OF THE INDUSTRY

South Africa is one of the largest steel producers on the African continent. According to the World Steel Association, South African steel manufacturers produced 5.7 million metric tons of crude steel in 2019, second only to Egypt on the continent.

2.1 SNAPSHOT: INDUSTRY PERFORMANCE

The Steel Industry Value Chain





Loss of employment in the industry

Industry	2010	2019	2019 vs 2010
Basic iron and steel	44 965	29 095	-35%
Basic precious and non-ferrous metals	23 767	15 213	-36%
Casting of metals	4 108	4 342	6%
Structural metal products, tanks, reservoirs and steam generators	43 197	37 422	-13%
Other fabricated metal products; metalwork service activities	67 659	65 809	-3%

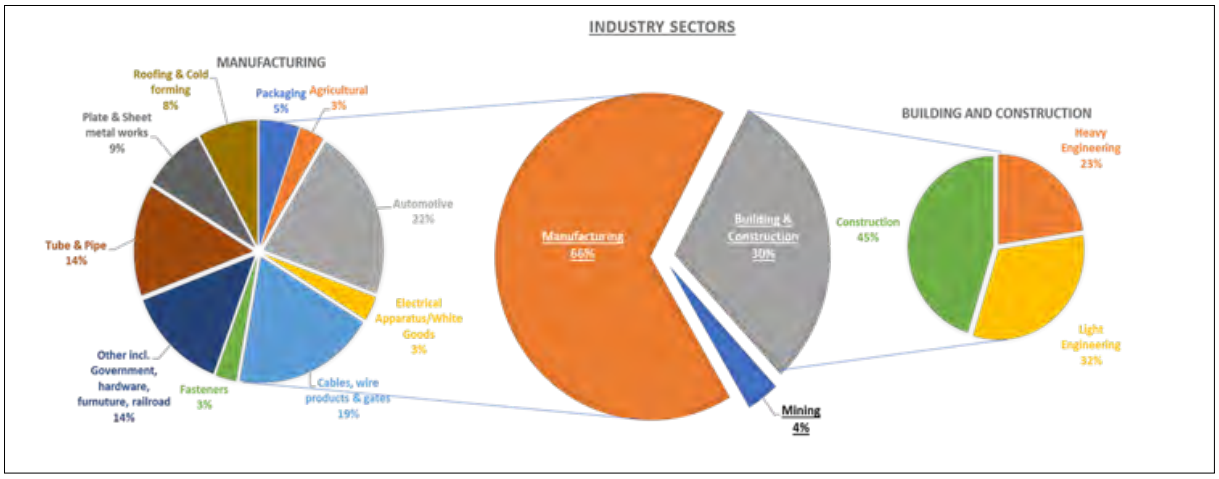
Exports by HS code

Articles of Iron or Steel		Average tonnes / month			Average tonnes / month			% growth	
HS Code	Product	2017	2018	2019	2017q4	2018q4	2019q4	2019 vs 2018	2019q4 vs 2018q4
7217	Drawn wire - carbon steel	4 620	5 667	7 557	5 551	5 905	6 087	33.4%	3.1%
7312	Wire rope & cables	2 115	2 258	1 905	2 968	1 953	1 885	-15.6%	-3.5%
7326	Articles of wire, forged products & other art	9 976	9 618	9 177	11 084	10 482	11 433	-4.6%	9.1%
7315	Chains & parts	498	512	522	449	433	551	2.0%	27.3%
7320	Springs	238	263	183	257	186	211	-30.4%	13.4%
7313	Drawn wire - barbed wire	715	694	438	774	670	488	-36.9%	-27.2%
7317	Nails, tacks & staples	284	287	433	333	365	584	50.9%	60.0%
7314	Cloth, grill, netting, expanded metal	4 749	4 004	4 498	4 006	4 703	4 649	12.3%	-1.1%
	Wire and Wire products	23 195	23 303	24 713	25 422	24 697	25 888	6.1%	4.8%
7304	Tubes & pipes - seamless	8 172	14 872	10 672	11 067	18 278	4 660	-28.2%	-74.5%
7306	Tubes & pipes - welded small dia.	7 306	6 455	5 108	7 414	7 169	3 823	-20.9%	-46.7%
7305	Tubes & pipes - welded large dia.	42	540	1 746	81	2 213	1 233	223.3%	-44.3%
7307	Tubes & pipes - fittings	1 458	1 748	1 238	1 495	1 517	1 417	-29.2%	-6.6%
	Tube & Pipe	16 978	23 615	18 764	20 057	29 177	11 133	-20.5%	-61.8%
7318	Screws, bolts & nuts	1 714	1 986	2 237	1 958	2 335	2 699	12.6%	15.6%
	Fasteners	1 714	1 986	2 237	1 958	2 335	2 699	12.6%	15.6%
7308	Structures, towers, schaffolding, bridges etc.	11 735	12 534	12 251	12 855	14 652	12 822	-2.3%	-12.5%
	Structures	11 735	12 534	12 251	12 855	14 652	12 822	-2.3%	-12.5%
7310	Tanks, drums & cans <300L	1 591	1 878	1 609	1 417	2 665	1 312	-14.3%	-50.8%
7302	Railway material excl. rails	146	119	112	149	98	142	-5.9%	44.9%
7302	Rails	331	96	126	99	61	276	31.3%	352.5%
7325	Cast iron products	1 402	1 582	1 227	1 119	1 835	1 255	-22.4%	-31.6%
7311	High pressure containers	359	375	276	417	244	282	-26.4%	15.6%
7309	Tanks & containers >300L	508	649	830	507	877	1 045	27.9%	19.2%
7323	Kitchen & houshold articles	479	458	549	547	529	559	19.9%	5.7%
7324	Sanitary ware	190	146	130	299	201	141	-11.0%	-29.9%
	Other	5 006	5 303	4 859	4 554	6 510	5 012	-8.4%	-23.0%
	Total	58 628	66 741	62 824	64 846	77 371	57 554	-5.9%	-25.6%

Investment in the basic iron and steel industry over the past ten years since the World Cup in 2010

Sector	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Basic Iron and Steel - Real GDFI - Rm 2010-prices	8787.7	5903.0	6088.9	6930.0	6559.1	6527.3	6089.5	6214.1	5753.7	6527.9	6452.3
Basic Iron and Steel - Real fixed capital stock - Rm 2010-prices	43166.6	42160.9	41415.6	41434.4	40783.8	39831.4	38737.2	37834.3	37084.3	36501.9	36224.0
Basic Iron and Steel - Fixed capital productivity - Index 2010=100	95.9	98.2	100.0	100.0	101.5	104.0	106.9	109.5	111.7	113.5	114.3

Final sales of primary steel to industrial groups



Source: SAISI Sales to Industrial Groups 2018, Group analysis

2.2 PROBLEM STATEMENT: KEY CHALLENGES FACED BY THE INDUSTRY

The industry has been a feature of the economic landscape for decades, but in recent years has not been able to adapt to new global trends (with some notable downstream exceptions). Domestic production of steel has declined in volume and its share of GDP has come down. One significant explanation is to be found in the huge expansion of steel production in China, which has increased its share of global steel output and has impacted on steel production in many traditional steel-producing markets. China now supplies a rising share of SA domestic consumption of steel and industry players believe that this has been aggravated by measures taken to exclude Chinese steel from the USA and the EU, which results in pressures to redirect surplus steel to other markets such as South Africa. Other factors include the rising price of electricity - much of South Africa's metal industry was built on the indefinite availability of cheap power – and the import parity pricing of raw materials such as iron ore, coking coal and chrome ore. Obviously, these assumptions must be reconsidered in thinking about the future of the industry.

The decline in both domestic production and demand has presented a challenge to the industry. The industry is largely in survival mode, which means that cost-cutting rather than investment in new technology, new plant and improved processes is dominating the thinking of much of the industry.

There is no doubt that the challenge existed before the COVID-19 pandemic, but its effects have been accelerated and made more intense by the pandemic and the lockdowns around the world. The impact of this challenge affects the entire industry, from the primary steel makers to the downstream, value-added industry. Some companies continue to operate profitably and to export successfully, but most are not profitable, have weak balance sheets and are inward-focused rather than outward-looking. Some sectors, such as the foundries, have been affected more than others, such as the wire industry.

There are pockets of success in various sub-sectors, e.g. the wire industry, which produces 40% of South Africa's steel industry exports (export performance is shown in Annexure A). **The dtic** export promotion programme should enhance and build on such winners to support a greater export effort. Even with the wire industry that has been able to maintain some export footprint, capacity utilization remains below 60%, having peaked in 2003.

The work of the National Foundry Technology Network has shown that foundries have been affected, amongst other factors, by the administrative and cost burdens of compliance with the environmental laws on emissions. The challenge is greater especially where they supply to the auto OEMs, as compliance is unavoidable, both in terms of the law and the need to comply with the international pressures towards green and clean technologies. The requirement for investment in new foundry technology, materials and processes seems unavoidable.

The IDC is heavily exposed to the industry and has taken up much of the role of the banks in assisting new ownership or new companies. It has been argued that some of its past investment decisions were focused on individual projects in the absence of a broader strategic focus on the industry. Now that an industry plan is in place, the IDC is committed to aligning its investment activity with the Master Plan and to promoting an industry-focused approach, taking account both of the need for competition and the current over-capacity in sections of the steel industry.

The underlying problem is the lack of demand from an economy which has not been growing sufficiently fast. The lack of domestic demand has been aggravated by an increased market share from imports, both of primary steel and of value-added products. The global glut in steel production and the well-financed and coordinated export effort by especially Chinese companies into Africa has also affected the export markets.

It is the view of many manufacturers that the South African banks have reduced their appetite for lending to the steel and engineering industry. The cost of capital in South Africa is suggested as a key constraint and has been raised as an issue affecting competitiveness by many companies. The cost of capital in Europe and the USA is lower than in South Africa, which impacts competitiveness and disincentives investment in new enterprises. IDC funding has sought to address this, though in some cases it is more expensive than the banks, because it sources its capital primarily from the banks, which means that its cost of on-lending is higher than that of the banks.

The volatility of the exchange rate has also meant that the forex risk has to be priced into international project bids, which affects the competitiveness of these bids.

It is reported that South African and international insurance companies have substantially reduced or withdrawn credit insurance for companies in South Africa and withdrawn it for customers in other African countries. This has affected both sales in South Africa and exports into Africa, including SADC, which is a natural market for South African goods.

Some companies have invested to make themselves more efficient, to innovate in products and processes and to use the latest technology. However, much of the industry has under-invested in both plant and skills. The lack of demand and volume has led to the shutting down of capacity in the industry and the closure of lines making special steels and other niche products. There has been substantial loss of jobs in the industry. Despite this, much of the industry still has excess capacity and consolidation in the current environment, where the industry is contracting, is viewed by many industrialists to be inevitable.

The industry is very fragmented. The consequences are that there are few companies with deep pockets and the industry associations have been weakened and cannot speak for the whole industry on policy matters. There is also a lack of good information about the industry. The adopted government Master Plan processes and methodology are based on a social compact between workers, industry and the government. To develop a social compact with concrete commitments in an industry which is very fragmented, requires that industry associations are rebuilt so that they can provide an effective service to the industry.

Measures to support the industry, ranging from tariffs to access to incentives, have had a mixed effect. In some cases, firms are able to point to the positive impact of public measures, but given the challenges the sector faces, a rethink is necessary. In some cases, public policy measures need to be accompanied by clearer reciprocal commitments by industries (business and labour); and in other cases, the state needs to be more agile in monitoring impact and dealing with efforts to circumvent the objectives of the policy measures. ITAC is committed to investigating more closely the effect of tariffs and the compliance with reciprocal commitments.

Through the Public Preferential Procurement Framework Act (PPPFA), government has designated a wide range of steel and steel products for local production when procured by government, the SOEs, municipalities and other public bodies. However, there is evidence of evasion of the designations in favour of imported products. The SABS has committed to taking on a key role in checking compliance with localization policies, but will require to substantially increase its capacity and reduce its costs to do this effectively and on the scale required by the infrastructure programme.

There are a number of government agencies which play an important role in supporting the industry. Some key institutions are in need of further capacitation: the SA Bureau of Standards is of vital importance for localization, import protection, professionalization of the domestic industry and exports, but has lost some of its technical capacity: this impacts on its international reputation. The National Regulator for Compulsory Standards is another important agency which needs to be operating at optimal levels.

Trust and confidence levels between the public and private sector are critical. All sides have legitimate concerns. Trust deficits between government, industry and the unions must be addressed if there is to be an effective social compact to save and grow the industry. Equally important, confidence in the economy must be rebuilt if there is to be investment and growth in the industry and if jobs are to be retained and created.

There is uncertainty about input costs and policy. The uncertainty in the cost and security of supply of electricity, in particular, is a deterrent for investment and confidence. The cost and lack of availability of rail and port services is another significant deterrent.

The level of equity transformation in the sector is uneven. Low BBBEE points amongst upstream producers has resulted in low BBBEE procurement scorecards for downstream processors. This (and other factors) sometimes result in users of steel and steel products preferring to import through BEE middlemen, who do not add production value but take a margin. It also means that many downstream companies, including Black-owned companies, do not obtain public sector contracts because they are not sufficiently highly-rated on some aspects of the BEE scorecard. Discussions are proceeding with a forum of Black industrialists to develop an effective transformation strategy that avoids unintended consequences and maximises positive impact. Small and medium enterprises in the steel and engineering industry generally are part of the supply chain for larger enterprises and their funding and growth must be seen in that context. Small businesses rarely grow in a vacuum. A strategy to build Black industrialists must be based on a strategy which involves the whole supply chain and takes into account the interdependencies of the large and small enterprises.

3. KEY INTERVENTIONS/MEASURES ALREADY IMPLEMENTED TO SUPPORT THE INDUSTRY AND WHICH ARE CONTINUING

3.1 TRADE POLICY AND ADMINISTRATION SUPPORT:

3.1.1 Increase in the general rate of customs duty on primary steel products to 10% and safeguard measures on hot rolled coil and plate products.

3.1.2 Tariff increases on a range of downstream products to the maximum bound rates allowed; trade remedies; deployment of rebates where products are not manufactured or additional value is added before export

Since July 2015 a total of 50 trade actions have been taken in the sector across the value chain, including: 6 trade remedies: 2 anti-dumping duties; 2 safeguard actions and 2 sunset reviews on anti-dumping duties; 17 tariffs increased; 3 tariffs maintained; 3 tariffs reduced; and 21 rebates provided of which 10 were rebates for tariffs and safeguards.

3.1.3 SARS reference price system developed for steel products to address low-priced imports and inter-agency working group established to tackle illegal imports

3.2 LOCALISATION

3.2.1 The use of procurement by government to boost aggregate demand:

- All major steel intensive products are designated under the PPPFA
- Undeemed primary steel in the early rounds of designations to encourage beneficiation and the use of locally manufactured primary steel in all key infrastructure programmes

3.2.2 Consensus developed at Nedlac on Buy Local Programme:

- Commitment to promote localisation set out in the Nedlac Economic Recovery Plan covering the 2021 implementation of the localisation commitments made by social partners on the identified value-chains, including steel-intensive products for construction, tools and implements, household goods, capital equipment, transport auto, rolling stock and railway lines, based on a set of targets; a set of products; and champions at CEO level.

3.2.3 Infrastructure Programme: establishment of Infrastructure SA, providing an important impetus to growth. Ongoing discussions and proposals to localize infrastructure supply chain. This includes the importance of Transnet setting out clear commitments and a roadmap on the procurement of rails for the renewal and maintenance of the railway lines

3.3 SCRAP METAL INTERVENTIONS

3.3.1 Implemented the Price Preference System (PPS) in 2013 to ensure availability of good quality scrap metals for further processing in the domestic market as a measure to support the steel industry using scrap metal as input and the foundry industry.

3.3.2 Due to the effects of Covid-19 on the availability of scrap metal, a Policy Directive was issued on 3 July 2020 for an interim suspension of scrap metal exports, followed by an investigation of the effectiveness of the PPS. The suspension came to an end on 2 October 2020 and amendments were made to the PPS, which seeks to curtail illegal exports and make quality scrap available to the domestic market. Feedback from industry sources is that the amended PPS of 2 October 2020 has been effective in making affordable quality scrap availability for the domestic consuming industry, addressing most of the concerns raised by industry users of scrap metal.

3.3.3 The longer-term intervention supported by the majority of stakeholders is for an export tax that will be implemented together with an ITAC permit system. The proposed export tax underwent a consultative and parliamentary process and its administration processes are being set up with an expected implementation date of July 2021.

3.4 COVID-19 RELIEF AND OTHER FINANCING SUPPORT MEASURES

R200bn Loan Guarantee Scheme, the UIF TERS relief for workers affected by the Lockdown as well as the IDC administered Steel Competitiveness Fund, which provides concessionary funding to the steel industry for plant upgrades, working capital funding and funding to downstream steel industries which are in distress due to Covid.

3.5 AFRICAN CONTINENTAL FREE TRADE AREA AGREEMENT (AFCFTA)

The SA Parliament has ratified the African Continental Free Trade Area Agreement signed by 54 out of 55 African countries, with trading set to start in 2021. The SACU offer and rules of origin on Chapter 72 and 73 iron and steel products has been developed. Tariff offers from partners are being considered.

The African continent represents a significant opportunity for steelmakers and manufacturers to enhance investment and trade in steel products with all members of AfCFTA. African countries (excluding South Africa) purchase nearly R400 billion of iron and steel each year. A combined and integrated effort to promote inter-continental trade and investment in the steel sector will enhance growth within the Continent.

3.6 INVESTMENT COMMITMENTS

The interactions among leaders from government, business and civil society at the 2018 and 2019 South Africa Investment Conferences generated investment pledges of R664 billion. The 2020 conference announced new investment opportunities of R109 billion. A number of these are direct investments in the steel sector, but several are in sectors like construction and mining, which will generate demand for steel and steel products. The strengths and comparative advantages South Africa offers investors and trade partners is evident in a period of growing African integration through the AfCFTA.

As part of the consultations on finalising the Master Plan, a high-level survey of investments in the steel industry was conducted. It indicated projects in the commissioning or construction stage, or where the investment is committed, to total R12,3 billion. Other planned projects, which in most cases are conditional on factors such as stable energy pricing and supply, regulatory permission and increased demand, total between R34 billion to R42 billion.

3.7 COMPANY LEVEL INTERVENTIONS

3.7.1 The IDC acquired SCAW Metal from the Anglo American Corporation in 2012. The investment was seen as both strategic and defensive, to secure the local supply of steel for infrastructure build programs whilst curbing the pace of de-industrialization. The IDC introduced three Strategic Equity Partners to turn-around the business (1) Scaw Metals involved in steel and steel product manufacturing; (2) Grinding Media SA and (3) Cast Products, producing products for mining, rail and general engineering.

3.7.2 Intervention following Highveld closure – the restart of Highveld under Business Rescue was supported by IDC post-commencement finance, resulting in the structural mill being reopened with 250 workers and a contract Manufacturing Agreement with AMSA to manufacture steel sections and rail products.

Given the available water, energy and gas supply, the balance of the Highveld property was converted into an Industrial Park, which currently houses 61 tenants, of which 38 are Black industrialists, employing a total of 1 600 people. The businesses in the Industrial Park conduct business with some 300 contract suppliers.

Current interventions under consideration include restarting the four iron processing plants. To this end, Highveld has reached an agreement with SAIL Mining to process chrome into ferrochrome on behalf of SAIL, which will utilise one of the iron plants. **The dtic** participated in the Mapochs merger, resulting in the Competition Tribunal placing a condition on the buyers of Mapochs to supply vanadium ore to Highveld and other beneficiators who do not have resources; this intervention will see the restart of the second iron plant at Highveld.

3.8 FLAT STEEL PRICING

Agreement on a set of principles for flat steel pricing in SA that is priced appropriately to ensure that steel-dependent industries are competitive, while at the same time ensuring that the upstream steel mills remain sustainable. The pricing agreement signed in 2017 includes a commitment by the primary steel producer to price flat steel according to agreed principles, which include a methodology termed the “basket price” which excludes China and Russia but includes other steel-producing countries in the following ratio: 50% EU, 30% Asia and 20% NAFTA.

The pricing principles replace import parity pricing, prescribing that in effect duties and safeguards are not added to the basket price. Since 2017, the domestic steel hot rolled coil price, which is periodically reviewed by the ITAC Steel Committee, is reported to have been within 1-5% of the basket price.

Covid-19 highlighted the risk and challenges of a single flat steel producer in South Africa which was unable to supply all of the demand in the domestic market when production restarted. Against this background, two steel producers have signaled their intention to produce flat products.

3.9 ELECTRICITY PRICING SUPPORT

The DMRE has approved the revised short term and long term frameworks for negotiated pricing agreements (NPAs) for energy intensive users, which set out the criteria for NERSA to evaluate, approve and monitor NPAs. The evaluation of NPAs at inception is based on the cost of supply. Direct Eskom customers can apply to Eskom and municipal customers apply through the municipal licensee, subject to certain criteria.

Short Term Framework (STF): The STF aims to provide qualifying consumers with access to electricity prices that are lower than would otherwise be available to such consumers, for a period of up to 36 months, with an option to extend after review.

Long Term Framework (LTF): The long-term NPA framework is targeted at large industrial operations that contribute to the base load electricity consumption and economic well-being of South Africa and require electricity price certainty for their operations. The intention is to provide qualifying consumers with access to a lower tariff for a period of up to 10 years, as the operation / sector would be unsustainable on the applicable standard tariff. The base incentive price may be a flat tariff throughout the year with no time-of-use or seasonal differentiation if the applicant can provide interruptibility that the system operator can utilise, within contractual limits, when the system is constrained.

4. OBJECTIVES OF THE MASTER PLAN

The Master Plan focuses on the short-term survival of the industry and builds on the on-going support measures outlines above for the longer-term growth and sustainability of the industry. The Master Plan is intended to create long-term policy certainty for the industry. That has been a major reason for the success of the auto industry's master plan. Predictability of demand, costs and policy, as well as cost competitiveness, are key to re-creating investment and confidence.

Besides policy certainty and input costs, the industry will have to re-orientate itself towards the green industry future in respect of the challenges of input and environmental issues – lower emissions, more efficient use of water and electricity - and the opportunities for new industries and new products. This will be complemented by more agile government trade and industrial policy measures.

4.1 GOVERNANCE

The implementation of the Master Plan is a collective responsibility of all social partners and will be overseen by the Steel Oversight Council, on which the industry, the unions and the government are represented. The Council will be chaired at a senior level (the Minister or his high-level nominee, as is the case with the other industry Master Plans) and include industry CEOs, labour leaders and senior government representatives.

4.2 FOCUS AREAS FOR THE MASTER PLAN

At this stage, the focus areas are as follows:

1. Monitor implementation of the Steel Master Plan 1.0 and performance of the industry
2. Identify adjustments to the Master Plan where these are warranted by impacts that are different to policy objectives, and make recommendations to Government
3. Make trade measures and incentives more effective and identify reciprocal commitments from industry and labour
4. Help to identify opportunities to boost demand and stimulate local production

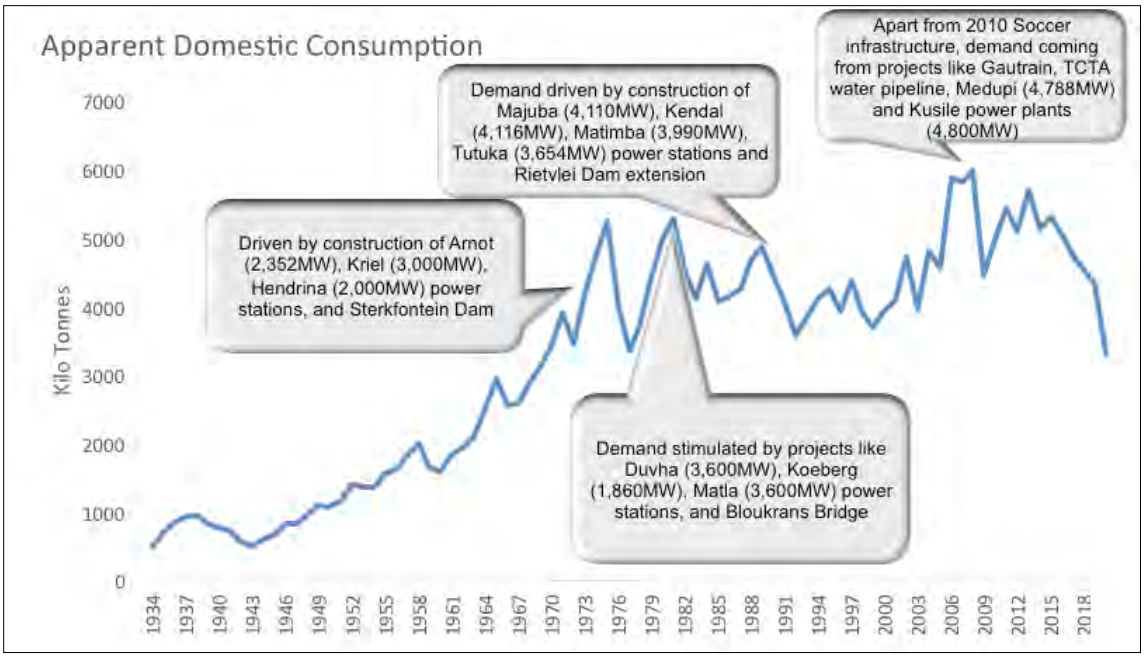
5. Bring the entire value-chain together in key areas to promote clear objectives. Attention will be given to the full value-chain with greater focus where there is value-addition and larger job multipliers
6. Promote an integrated SA Inc approach: the Master Plan seeks to align with the policies of other government departments (especially the DPE and the DMRE) and take into account important agreements such as the African Continental Free Trade Area and the agreement by the SADC Council of Ministers on the importance of backwards and forwards linkages of the mining industry in the region, which emphasizes local production of mining equipment and supplies. Increasing SA exports require an amplified SA Inc approach. Many countries, for instance, provide a country package to support their exporters, especially in Africa. This approach should be developed in South Africa. The IDC and **the dtic** are currently working on end-user financing proposals, for instance. Stronger integration of economic measures and diplomacy is required. Inside South Africa, there is a strong argument for a SA Inc approach on a case by case basis. For instance, the narrow cost-benefit balance for an SOE may provide benefits for the SOE at the expense of continued de-industrialisation of the country. There must be a broader view – a SA Inc cost-benefit analysis, which takes into account the current crisis in manufacturing in the country, the fiscal constraints and the longer-term expected strength of the economy.

These focus areas will be evaluated and amended as and when necessary by the Steel Oversight Council to ensure that the Master Plan, the associated programmes and implementation platforms are flexible and agile to take advantage of opportunities and timeously react to challenges.

4.3 THE CRUCIAL ROLE OF INFRASTRUCTURE

Although many issues are covered in this Master Plan, the recovery of demand in the economy through a large pipeline of infrastructure projects in South Africa and the region is crucial to the health and growth of the industry. It is especially important to develop two or three mega-projects with real economic merit and viability, which will rebuild confidence in the economy. Strong private-sector involvement in the projects can enhance the impact. The announcement of viable and exciting mega-projects together with viable financing and implementation plans, is likely to have an immediate and high impact in restoring confidence, according to industry leaders. A few mega-projects are under consideration and the industry should consider how to work with the government to accelerate them.

The historic peaks in the steel consumption trend have coincided with big construction projects, as shown in the graph below.



CHAPTER 2

5. MAJOR PROGRAMMES

The programmes of the Steel Master Plan are divided into three major categories:

Supply-side measures

Demand-side measures

Cross-cutting issues

The emphasis of the Master Plan is on implementation and impact. The Implementation Plan which accompanies this Master Plan identifies key short, medium and long-term deliverables and milestones. These will be considered by the Steel Oversight Council and may from time to time be modified by the Council, based on experience and impact. The programmes listed in these three categories are grouped under twelve headings. This will make it easier for the Steel Oversight Council to construct a dashboard to track the progress in implementing the Master Plan.

The twelve headings are as follows:

SUPPLY-SIDE MEASURES	DEMAND-SIDE MEASURES	CROSS-CUTTING MEASURES
1. Input cost reduction in the value chain and availability	7. Infrastructure programme and localisation	11. Industry cohesion and steel industry development fund
2. Establishing industry and product standards	8. Import replacement	12. Transformation
3. R&D, innovation and the fourth industrial revolution for productivity and competitiveness	9. Product value chains	
4. Resource mobilization for investment and stabilization	10. Exports	
5. The primary steel industry and steel prices: carbon and stainless steel		
6. Training and mentoring		

Each programme will constitute a work stream. To implement them effectively, business will provide project managers to work with the three partners, business, labour and government. They will report to the Steel Oversight Council. Each work stream must also have a champion from business, labour or government, who will assist the project team to overcome blockages and bottlenecks.

The dtic will investigate the feasibility of establishing a specialized Project Management Support Unit which is tasked specifically with the effective implementation of government's role in the implementation of the Master Plan.

Increasing demand remains the most important medium- to long-term objective, which requires the unlocking of effective and productive spending by the government and the private sector on infrastructure and the effective localization of production for these projects, as well as the operationalizing of a steel component of the AfCFTA. However, both supply and demand-side measures are necessary. Many of the supply-side measures will be temporary, to give the industry a breathing space. The industry must therefore increase competitiveness, including moving towards green industry processes, which will be a competitive advantage in markets such as the EU.

The Competition Commission supports the Steel Master Plan, noting that there should be a balance of measures to support the competitiveness of the sector against price raising effects and exclusionary practices that may affect the competitiveness of the steel industry and related industries that use steel as an input.

SECTOR SPECIFIC INITIATIVES

The stainless steel, wire, auto and mining sectors are priority sectors for sector specific initiatives. The Steel Oversight Council should consider how to establish these sectoral initiatives and whether there are other sectors which warrant such initiatives.

SUPPLY-SIDE MEASURES

While the focus of the industry in recent years has been on trade measures, this Master Plan proposes that greater attention be focused on more effective implementation of the variety of supply-side measures necessary to improve industrial performance and enable the sector to become more sustainable and competitive. Some of the measures were identified in 2016 and industry responses to the Master Plan draft emphasized the need to confirm these and complete the implementation of these measures.

1. INPUT COST REDUCTION IN THE VALUE CHAIN AND AVAILABILITY

1.1 **Logistics and the cost of rail and ports: Transnet's general freight tariffs and the availability of trains and the quality of train services are an identified challenge.** The lack of geographical coverage of the rail network is also a concern. The new leadership of Transnet and the relevant Ministry supports a more efficient service. Investment in rail networks and capacity will benefit the economy and the industry directly and indirectly, by facilitating logistics and by generating activity for the industry.

The cost and efficiency of port facilities are also problematic for the industry. Many companies have stated that it costs more for them to take products from Gauteng to the Durban port than to bring goods ex-works from Asian exporters or elsewhere to Durban. This must be addressed in terms of the government's road to rail strategy. Investigations in this regard will produce important information to assist the parties to reach a solution and it would be welcome if the investigation could be accelerated.

There is dissatisfaction with port tariffs and services. New port tariffs are being implemented through the Port Tariffs Incentive Programme (PTIP). The Ports Regulator of South Africa, in consultation with the National Ports Authority, the Department of Trade, Industry & Competition **(the dtic),** the Department of Transport (DOT) and various other government departments, has launched a Port Tariff Incentive Programme (PTIP) in support of beneficiation, industrialisation, and localisation through port tariff regulation. The PTIP programme serves as a mechanism by which cross-subsidies within the port tariff structure may be quantified and implemented in the public interest. The Programme is open to all port users, with an emphasis however on small to medium-sized enterprises, to support them to enter the market as well as to aid economic growth, beneficiation, national shipping revitalization, localisation, and industrialisation. The programme affords port users an opportunity to apply for a discounted tariff as per the official Tariff Book of the National Ports Authority (TNPA). Further information on the application process and sector qualification can be obtained on the link provided below: https://www.portsregulator.org/economic/tariffs/port-tariff-incentive-programme Common complaints with the rail and port facilities are listed in Annexure E.

The dtic will work with the DPE to facilitate a discussion between Transnet and the Steel Oversight Council to explore solutions to these disincentives to investment and exports. The discussion will include freight and port tariffs which has been raised as a significant cost driver in the sector.

1.2 **Energy prices and security of supply:** The uncertainty regarding the price and security of supply of electricity is a serious disincentive to investment. Investors expect to be able to project ROI in the long term, which is made difficult by changes in the electricity-pricing models. Some of the larger users are considering self-generation to take them partly or completely off the grid. Electricity is a major cost component for many sectors of the industry, not limited to the mills and the foundries only. Recent price increases have had a serious effect on costs and competitiveness. Load shedding by Eskom affects the reliability and lifetime of blast furnaces and smelters and cuts the operating time of many plants. This is compounded by poor maintenance of their distribution networks by some municipalities. The Eskom winter tariff in particular has been reported to be a problem. This contributes to a loss of efficiency and productivity. Plants which obtain electricity from municipalities are particularly vulnerable to power outages and to cost escalation. A means must be worked out which will allow these plants to move to Eskom direct supply and so avoid the additional supply insecurity and cost disadvantages of municipal supply. The short-term framework for a more affordable Eskom tariff for energy-intensive users has been amended and signed off by the DMRE. An interim long-term framework is in place; applications are done through Eskom or the municipal supplier. A summary of the short and long-term frameworks is attached in Annexure D. The Steel Oversight Council, with **the dtic,** the DPE and the DMRE, should consider this as a priority.

1.3 **The supply of affordable ferrous scrap is a problem.** An adequate supply of scrap to the domestic industry must be ensured. The scrap collection and recycling industry is a large employer and must also remain viable. Estimates suggest that there may be an absolute shortage (i.e., not an affordability issue) of as much as 1 million tons per year by 2021. Finding sufficient consensus on measures to ensure adequate supplies of scrap to the steel and engineering industry depends partly on having agreed estimates of the supply shortages or excess. This estimate is therefore currently being confirmed in discussions with the consumers and suppliers of scrap. In the longer term, there is likely to be increased pressure on the scrap supply as new mill capacity comes on stream during 2021 and 2022 and as more scrap is converted into billets for export.

Discussions are taking place with the SOEs to obtain a commitment to sell scrap directly to the mills, foundries and smelters.

The new ad valorem scrap export tax is expected to come into effect in 2021. There is potential to avoid the export tax by exporting through the Southern African Customs Union and free trade areas and especially through Maputo. This loophole must be closed if the tax is to be effective. **The dtic** is discussing with ITAC the retention of the new export permit measures initiated in September and November 2020 by ITAC after its investigation of the effectiveness of the scrap export control measures requested by the Minister. Some of the key changes to the PPS include

1.3.1 Measures to compensate for the fact that most domestic consumers are located in inland provinces and much scrap metal is located at the coast.

1.3.2 The right for domestic consumers to weigh and inspect the materials to ascertain that material delivered is the same quality, type and weight as agreed to when the offer was made and concluded, and the right to claim reasonable compensation for costs incurred where quality, type and weight differ from what was agreed.

1.3.3 Increased surveillance by ITAC to ensure that materials (quality, grades and quantities) comply with the approved permit, including the right to take legal action for any misrepresentation from sellers.

1.3.4 Ensuring that scrap dealers have adequate facilities for the access, loading and weighing of scrap; failure to provide these will be seen as an impediment and constitute grounds for refusal of a permit application.

1.3.5 The export of scrap in containers is alleged to be a problem. The industry has offered to pay for and provide tilting equipment to SARS at the ports to unpack, check and repack all containers of scrap. ITAC are looking into break-bulk export of scrap, given SARS' resource constraints.

1.3.6 The price paid by domestic consumers should be adequate to provide an incentive for the recycling industry to collect and process scrap. This inflection point should be determined and updated regularly by **the dtic** in consultation with the consumers and recyclers.

Iron ore, coal and other raw materials. Industry sources outside AMSA estimate that the loss of the developmental price from Kumba for iron ore has cost AMSA about R10 billion to date. The Minister for Mineral Resources and Energy has extensive powers in terms of the Mineral Resources and Petroleum Development Act to specify conditions for the beneficiation of minerals and it has been proposed that the industry approach the Minister for Mineral Resources and Energy to consider setting terms for the provision of iron ore and coking coal to steel producers. The process should start by determining a fair and sustainable steel price which will assist downstream processors to be competitive, and then working backwards to the input costs. **The dtic** will request that discussions be initiated between DPE and DMRE with Kumba, Glencore, Exxaro, Eskom and Transnet to explore developmental prices, conditional on the benefits being passed downstream and subject to enforceable undertakings on investment. Mechanisms to ensure that the benefits are passed downstream could include the establishment of a fund to incentivize value-added production, which receives all or part of the difference between the current prices of ore, coal etc. and the developmental prices. The Competition Commission has supported this approach.

1.4 Unit labour costs must be managed to ensure the industry is able to effect a turnaround, within a broader decent work agenda. There is a three-year wage agreement in the industry. The unions (Solidarity and NUMSA are the largest unions) have agreed to postpone new negotiations until July 2021, in view of the dire situation in the industry. Further discussions on the role of the unions in the survival and growth of the industry will take place in the context of the Master Plan. Key issues concern the role of the unions in making the industry competitive, innovative and outwardly-orientated. The professionalization of the industry, the advancement of workers, career paths and the retention and growth of jobs will be focus areas for discussion. NUMSA has proposed that the Steel Oversight Council discuss various options, including worker participation in company ownership. There are many existing schemes in various industries.

1.4.1 NUMSA also notes that it supports the continuous revolutionising of productive forces and that the industry must keep pace with development and global trends and continue to be on the cutting edge of the Fourth Industrial Revolution. However, the choices made in advancing technology must take into account South Africa's concrete realities of poverty, unemployment and inequalities. Options do exist and there are case studies in the steel converters and mills which contrast technology which is locally developed and allows decentralised localisation and technology which is imported and highly centralised.

1.4.2 Increasing productivity, reliability and professionalism are essential for the industry to succeed and survive. The maintenance of jobs and of a living wage depend on increasing productivity and reliability for delivery and quality. This will require the unions to lead a culture change in both labour and management, with a special focus on the role and training of junior and middle management. Continuous skill upgrading is essential. NUMSA in particular has worked with its fellow unions in Europe on the Learning Factory model and should lead this programme.

1.5 **Carbon Tax:** A Carbon Tax has been announced which would inter alia apply to the local steel industry. Concerns have been expressed by industry that the tax in its current form would in effect be a penalty against local production, and thus to level the playing field, the tax should be applied in equal measure to imported products. It is accordingly proposed that consideration be given to applying the carbon tax fully to imports, which would require further consultation with the National Treasury, which has indicated that it is open to discussions with the industry on the implementation of the carbon tax. Treasury states that "The carbon tax design includes additional allowances for businesses that are trade exposed to mitigate the impact of the tax on their global competitiveness. However, National Treasury would be willing to engage on the potential for carbon border adjustments (which is being investigated by the EU - https://ec.europa.eu/info/law/better-regulation/have-your-say/initiatives/12228-Carbon-Border-Adjustment-Mechanism.)"

2. ESTABLISHING INDUSTRY AND PRODUCT STANDARDS

2.1 **The SA Bureau of Standards is a very important institution** for the success and competitiveness of the steel industry. The setting of standards is crucial to the protection, development and success of the local industry. The international reputation of an SABS certification has been important for exports. The setting of standards guides local industry development and investment. Standards are also a key factor to assist localization. The National Regulator for Compulsory Specifications plays a crucial role in preventing sub-standard products from being imported or sold in South Africa. Both institutions are currently in urgent need of further capacitation, which is critical for the industry. The SABS has lost engineering and technical staff. The loss of technical capacity impacts on its ability to provide a national service and on its international reputation (and therefore its value for export promotion). A new leadership will be expected to restore the technical and engineering capability and improve the capacity of the SABS and the NRCS and the international reputation of the SABS as a matter of urgency. The industry must assist the SABS and the NRCS to restore capacity. The SABS has undertaken to implement a service to monitor localization. The industry should lead the assistance to the SABS.

2.2 **Product safety: the import and sale of very thin galvanized sheeting for roofing and cladding (mainly for informal housing) is dangerous to the users and is harming the industry.** It will be necessary to have a SABS standard confirmed and put a compulsory specification in place. It is reported that very thin sheeting is sold mainly in the rural areas and small towns, often by dealers who sometimes do not pay VAT or corporate tax. The large retailers have undertaken not to carry the thin sheeting, with one exception, where the company says it has to carry the thin sheet in its small town outlets but has in-store information to inform customers of the need to rather buy quality sheeting. Other avenues to prevent the sale of the dangerous, sub-standard sheeting are being investigated.

2.3 Induction furnaces have technical limitations. For them to supply high quality steel, they must select high-quality scrap as input material. Some of the mini-mills are now upgrading to electric arc furnaces and ladle refining furnaces, which can produce higher value-added products. The question of appropriate standards applicable to the use of steel products in construction and other downstream sectors has been raised and needs to be properly investigated by regulators, without introducing disguised barriers to entry. Induction furnaces can only produce a limited range of products (excluding for instance certain wire bars, spring steel, high-rise sections and rebar). It is essential that this be taken into account when considering the appropriate investment balance. The SABS is critical to produce standards which clarify what the products of induction furnaces, arc furnaces and blast furnaces can be used for, especially in construction.

3. R&D, INNOVATION AND THE FOURTH INDUSTRIAL REVOLUTION FOR PRODUCTIVITY AND COMPETITIVENESS

3.1 **Greening the industry.** The R&D capacity in the country should assist the industry to become ”green”: investing in the growth of the industry provides an opportunity to “green” the industry, to reduce emissions, to use less water and electricity and to produce less waste, or to implement circular processes. The use of the hydrogen economy is important. However, moving to green production can imply substantial initial costs, which the industry may at this stage be reluctant to invest.

3.2 The Department of Science and Innovation has committed to working with the Steel Master Plan to ensure that its KPAs properly reflect the concerns of industry and contribute to its competitiveness and product development. There is a great deal of excellent R&D capacity available in South Africa and there has been important IP development, but relatively little uptake by local industry. IP has reportedly been sold or licensed to global companies but products are not produced locally. To ensure that some of the research and development is driven by problem-solving and innovation of processes and technology needed by the local industry, the DSI will work with the Steel Oversight Council to identify key areas where innovations can be commercialized, or which are required for the development of new or improved products or processes or new industry sectors, as well as finding innovative ways of increasing competitiveness and localization of production and adaptation to the challenges and opportunities of the Fourth Industrial Revolution (4IR).

3.3 The use of embedded sensors in processing and production lines (and in mining equipment and other machinery) allows for predictive maintenance and productivity optimization and for the increasing use of machine learning to optimize processes and supply chains. While the use of sensors, predictive maintenance and machine learning are becoming widespread among major OEMs and international steel mills, many other companies are unclear how to incorporate these 4IR concepts into their businesses and the DSI and **the dtic,** with the universities and businesses which advise on and implement process optimization, can provide a very useful service in this respect. Other examples of “Industry 4.0” are the ability to quickly develop innovative design of consumer products and new materials, the hydrogen economy, new ways of making foundry moulds, rapid prototyping, battery storage for green energy and the use of rare earths for the power trains of the new electric or hybrid vehicles.

3.4 This work stream, together with the unions in the steel industry and social scientists, should also report on the opportunities and challenges of the Fourth Industrial Revolution for the industry and for labour. It should take into account the work done by the Presidential Commission on the 4IR. The team should aim to produce an initial report within twelve months

4. RESOURCE MOBILIZATION FOR INVESTMENT AND STABILIZATION

4.1 Credit insurance: the reduction of credit insurance and loss of cover for African countries to which the industry exports, are a serious problem, impacting both domestic sales and exports. Discussions have been held with the IDC, but it is necessary to investigate options to provide some risk cover to insurers to persuade them to restore cover to the industry. Alternatives are for instance that the steel industry establishes a mutual trade credit insurance company for self-insurance or that government establishes a state credit insurer to build onto the ECIC.

4.2 The IDC's investment policies and strategies for the steel industry are being aligned with the requirements of the Steel Master Plan. The investment view will take into account the needs of the sector and sub-sector, as well as those of individual companies and investors. The focus will be on moving up the value chain (for instance to machinery) and on ensuring the viability and competitiveness of the primary steel industry. Too much capacity has been created by various funds, watering down the volume efficiencies which are essential in this industry.

4.3 Development funds. Government has established a R1.5 billion Downstream Steel Development Fund through the IDC to provide funding to the industry at concessional rates and to address weak balance sheets. In addition, **the dtic** industrial funding branch is developing a metal fabrication fund. There is an opportunity to optimize these two funds to unlock growth opportunities. There has been low take-up of the fund, apparently because of the very tight criteria and the administrative burden involved in making applications. The criteria for the funds should be reviewed and widened to allow more SMMEs and other firms to benefit. Many businesses could benefit from support for investing in new technology, products and processes, but the support is currently not available unless there is a significant transformation component. Cutting many small and medium-sized, often family-owned businesses off from support at this time of crisis in the industry should be reviewed, because the growth of the industry and jobs in general may be the best way to support transformation.

5. THE PRIMARY STEEL INDUSTRY AND STEEL PRICES: CARBON AND STAINLESS STEEL

The price and security of supply of primary steel is fundamental to the success of the industry. The future of the industry depends partly on balancing the supply and demand for the types of steel required. There is uncertainty over the ongoing security of supply of both flat and long steel products to the downstream industry. Although it is not unanimous, the major companies in the industry, including the merchants and the downstream industry, believe that South Africa needs a primary steel industry which beneficiates ore. The challenge is to ensure primary steel production that is competitive and growing, able to provide steel inputs at competitive and sustainable prices and which directs itself to build downstream partnerships locally and in other parts of the African continent. Primary steel production in South Africa supports downstream industries, including mini-mills and foundries which utilise scrap metal originally derived from the production processes of primary steel producers. The production of primary steel (and South Africa has all the required ingredients) is deemed by most major role-players in the industry to be vital to the ongoing sustainability of the entire steel value chain. The sustainability of the steel value chain underpins the drive for the re-industrialisation of the country and has large multipliers for jobs and GDP. The industry should work from value-added products backwards through its value and supply chains to identify and eliminate bottlenecks and unrealistic margins.

5.1 The crisis in the steel industry is not only caused by the global over-supply. The industry has contracted in the context of low economic growth in South Africa over several decades, without a significant pipeline of infrastructure projects after 2010. Changes in ownership of primary steel plants has not led to growth and investment to the level required, and there are concerns about the impact on South Africa's national interest.

5.2 An analysis of the carbon steel price is given below. In summary: the price of long steel has been depressed to below import prices by intense competition for the basic "commodity" products. The price of hot rolled coil is based on a basket of prices from other countries, excluding China and Russia. Initial studies of the price of steel to downstream converters and users indicate that the steel price from the primary producers is not always the reason why costs of downstream users are high. Margins are taken along the value chain. Further price studies are urgently required and should be carried out for the Steel Oversight Council as a priority, to ensure that the industry correctly targets the factors leading to uncompetitive steel prices. Stats

SA used to track prices but has discontinued this service. The relative prices of long steel and flat steel in South Africa are currently the subject of a complaint to the Competition Commission. The industry should work from value-added products backwards through its value and supply chains to identify and eliminate bottlenecks and unrealistic margins.

5.3 Imported carbon steel is subject to a tariff and a safeguard. ITAC and **the dtic** are currently considering the application to extend the safeguard. ITAC has been requested to monitor the impact of tariffs and the safeguard on prices and imports in the steel industry.. The safeguard duty has in the interim been maintained for one year.

5.4 South Africa had the capacity to manufacture 12 million metric tons of carbon steel per annum. It has been reduced to 10 million tons, of which about 80-85% is effective: about 8.8 million tons. Domestic steel consumption is estimated to be about 3.5 million tons currently. The implied excess is 5 million tons. AMSA's Saldanha plant is in care and maintenance, but most of the capacity is available. Cisco has 450 000 tons of steelmaking capacity available, but is not in full production. AMSA Newcastle has 1.7 million tons capacity and is only operating around 1 million tons. Highveld used to make about 1 million tons. It went into business rescue and its operations ceased. It has however recovered some production, but not yet at its previous level.

5.5 Estimated mini-mill current capacity (long products). There are some variations in the numbers listed, depending on where they are sourced and when, but a summary is more or less as follows. These figures also represent recent usage, which may be less than total capacity.

Mini-mills	Monthly melt capacity (metric tons)	Upgrades and plans
Cape Gate	35 000	35 000
Scaw	40 000	40 000
Agni	12 000	24 000
Pro Roof	30 000	30 000
Fortune Steel	12 000	12 000
Veer Steel	10 000	10 000
Unica	12 000	12 000
CISCO	20 000	20 000
SA Steel Mills	15 000	30 000
SA Metals	10 000	

New investments announced at the Presidential Investment Conference in November 2020 include

UNICA Iron and Steel	**R125 million**	Steel sections
United Heavy Industries	**R350 million**	Specialty steel bars for the domestic and export markets
SA Steel Mills	**R1.5 billion**	Primary steel products

Further large investments are in progress, close to or at the confirmed planning stage, including three large Direct Reduction Iron plants and rolling mills and further flat steel capacity.

5.6 Flat carbon steel capacity is 4.7 million tons, consumption in 2019 excluding imports was 2.1 million tons, so surplus capacity is about 2.6 million tons. Exports in 2019 of flat carbon steel were 594 000 tons, of which Saldanha produced 400 000 tons. The industry is exporting under a million tons per year in total.

5.7 There are potential investments by at least three South Africa-based producers other than AMSA in the production of flat steel products, but their total tonnage (probably over 1 million tons p.a.) will not change the predominance of AMSA Vanderbijlpark. There are high barriers to entry by new entrants. The re-opening of the Saldanha plant would make a difference.

5.8 Supply is not matched to demand. For instance, South Africa has discontinued or has never made many of the steels required for the auto, mining equipment and yellow metal industries. About 50% of the 750 000 tons per year of steel imported are flat steel products not manufactured in South Africa. Some were

made here, but production has stopped for various reasons. Intervention is needed in order to match supply with demand - the primary steelmakers must be able to guarantee security and sustainability of supply and must match supply to the demand for the right kinds of steel at fair prices. A number of automotive and mining steel specifications are not produced. Production of these grades and finishes is essential for the expansion of the local industry in the automotive, mining and other areas. The auto industry has commenced discussions with steel manufacturers to manufacture the required types of steel locally. Local steel makers could over time produce at least some of the steels required by the auto, mining equipment, yellow metal, tube and pipe and other downstream industries. Most of these steels were made locally, but production was stopped as there were no economies of scale to sustain production. AMSA Vereeniging (previously USCO) made special steels. The mining equipment industry indicates, for example, that the mechanical strength of domestically-produced steel is good, but the finishing of certain products is not at the right specification and quality for their requirements. It is necessary for **the dtic** and the industry to support production capabilities to supply the more sophisticated steel market in SA (including infrastructure projects) and the lower end steel market in SA (such as the informal housing market) through the effective regulation of standards and compulsory specifications for these applications. If the industry moves towards lower standards, it is likely that the majority of products will be imported, so that the domestic industry will be further weakened.

5.9 The remaining 50% of imports is made up mainly of hot rolled coil and galvanized steel from China and Russia. Russian steel is not covered by safeguards, but imports currently exceed the 3% threshold, which implies they should be considered for inclusion under the safeguard.

5.10 The excess capacity in South Africa in long steel products is in commodity long steel products. Long steel capacity, excluding the new capacity not yet commissioned, is 4.1 million tonnes; consumption in 2019 excluding imports was 1.9 million tonnes; surplus capacity is therefore about 2.2 million tonnes. The price of long steel is lower than the import price and is not sustainable.

5.11 An immediate area where policy has to be carefully navigated is between the advantages of primary steel production using ore and mini-mills using scrap metal as an input for the production of certain products. During the course of industry consultations, it has become apparent there are different views on the right mix between the two, and the impact that the newer steel mini-mills have on the sustainability of integrated steel production facilities. However, it is recognised that mini-mills contribute to economic inclusion by allowing access to the market by SMEs and black industrialists, and equally important, these mini steel mills enhance competition in particular regions or products.

5.12 It is important to look at the hot rolled and cold rolled value-added flat steel producers together (including Saldanha). The re-rollers consume about 1 million tons per year and the cold rolling facilities at Vanderbijlpark raise the overall available capacity of these products to at least 1.5 million tons. The plants could potentially supply the auto industry in South Africa. The supply uncertainties from AMSA have led to re-rollers requesting rebates from ITAC for imports to replace non-deliveries. Unless security of supply can be assured, rebates should be granted.

5.13 Over-capacity in the industry is a major problem, especially but not only in long steel products. The consolidation of the industry is urgent. The most significant imbalance between supply and demand is in long steel products because of the effect on price. The structural overcapacity of long steel products with prices which are extremely low in global terms means that all the plants are fighting for sales volumes to run their mills efficiently. Since profits are not possible through revenue, the focus is on cost reduction (including steelmakers using electric furnaces), but that has left many of the mills in a weak position financially. The industry should be allowed to discuss options, under supervision and with conditions. One option may be to consider the consolidation of products, rather than plants. It is proposed that the Minister designate the steel industry under Section 10 of the Competition Act as an industry in crisis, to enable discussion on consolidation of operations or products. This should be accompanied by appropriate measures to protect the industry from anti-competitive acts which would undermine the objectives of the Master Plan. **The dtic** should attend the discussions (and the industry agrees to this), which should exclude pricing issues.

5.14 The stainless steel industry has huge potential. Stainless steel is as important to the growth of the steel industry as carbon steel and has immense value-added potential and good international demand. Columbus Steel is a very successful producer of austenitic stainless steel. Columbus has the capacity to make 700 000 tons per year

of stainless steel, but is operating at 50% capacity and has asked for tariff protection. About 80% of Columbus' production is exported. It provides sufficient steel for the domestic markets and exports 80% of its production. It is one of the twenty largest forex earners in South Africa. It has a stable workforce of over 1500 direct workers and over 750 permanent service providers. It has an extensive and successful in-house training programme. It works closely with its customers to provide solutions and manufactures to order.

Columbus has committed to the Steel Master Plan, to work to expand the value-added industry in South Africa and to rebuild industries such as the tanktainer and tube industries. Participation in the Auto Industry's APDP2 is also critical. The stainless steel industry is able to make resources available to help the stainless steel sub-sector workstream of the Steel Oversight Council with the drafting of a sub-sector master plan.

The stainless steel industry has a wealth of technical expertise that can assist in the designations and standardisation for the localisation programme. The industry can assist to investigate where stainless steel is narrowly specified in designated products in order to target imported products and evade localisation. For example, specifications for wide stainless steel plates and trademarked stainless steel grades are used to evade localization. Industry expertise can be drawn in to assist with product designations, material design and product designation for infrastructure projects and the standardisation of material requirements, subject to proper governance arrangements. Many opportunities have been identified where local stainless steel was not used in local engineering and construction projects across all sectors. Transparency in the procurement for the infrastructure programme is critical here as elsewhere, to allow access to product information on all projects where stainless steel is specified before imported products can be allowed.

A sub-sector Master Plan for the stainless steel industry should be prioritized. Further discussions are taking place with Columbus to understand how these opportunities can be exploited. Columbus has invested nearly R2.5 billion in plant over the past twenty years. It has now committed to increasing production and other large investments, which will result in about 140 additional jobs, subject to certain conditions. The investors require a 25-50 year horizon for the investments, so the following are critical.

5.14.1 The predictability, cost and security of supply of electricity.

5.14.2 Logistics – the cost, availability and efficiency of rail and port services. Port and rail unavailability lead to the loss of shipping opportunities and the loss of customers.

5.14.3 Columbus has applied for a duty on imports of stainless steel products, which have increased substantially.

5.14.4 The availability of affordable stainless steel scrap, which is the input material for Columbus.

5.14.5 Export duties on chrome ore.

5.14.6 There are also risks in the future availability of key inputs, including gas, hydrofluoric acid, ferrosilicon and electrodes.

5.15 The re-rollers (Safal Steel and Durferco) produce intermediate cold rolled, galvanised and colour coated steel products for both the domestic and export markets. Safal Steel is the sole manufacturer of Aluminium-Zinc coated steel in Southern Africa. Both companies utilise modern technology, environmentally compliant processes and equipment. Additional investments are reliant on achieving certainty of supply, the cost of raw materials and ensuring ongoing demand for the products through achieving competitive pricing when compared to lower quality, imported substitutes. The challenge the re-rollers encounter is reliance on a single primary steel producer in South Africa for their hot rolled coil inputs and competing with the same producer in the domestic market on the products they produce.

5.16 The merchants have traditionally played two important roles: bulk-breaking and acting as a buffer between their customers and the steel mills by holding stock. This has been a very important aspect of the industry, relieving downstream manufacturers from holding large amounts of stock and tying up working capital. In return, the merchants have taken a margin, which they justify in terms of the risk they taking in holding stock on behalf of their clients. Some merchants are moving out of the servicing and merchanting businesses and are positioning themselves as international steel traders. If the model breaks down, it will present challenges for the upstream and downstream industry. Some opportunities exist for direct purchase by end-users, like water boards and other SOEs, from the mills, which has resulted in cost reduction to end users.

6 TRAINING AND MENTORING

6.1 Training and mentoring across the industry to increase professionalism, skill and expertise. Training and skills development is essential to providing the human capital necessary to make the South African steel and engineering industry world-class and enable it to be competitive in the Fourth Industrial Revolution. It is also necessary to help restock the industry with critical skills that have been lost. A task team was assembled by business and unions to prepare a proposal (attached as Annexure F) on programmes for

6.2 Aligning the DHET, the universities, the TVET colleges and the merSETA with the needs of the industry.

6.3 Mentoring middle and junior managers

6.4 Attracting young people and training and mentoring scarce skills, such as steel fitters and toolmakers, to "Meisterarbeiter" level.

6.5 Developing career paths in the industry.

6.6 Ensuring that the curricula and equipment of the TVET colleges are up to date, are standardized and are aligned to the practices and needs of the industry

6.7 Using the training facilities available in some of the larger companies for industry-wide training, as happened until the late 1990s.

6.8 Rebuilding the capacity of the sector associations to do specialised training.

6.9 Ensuring that trainees will find places in firms, so as to be able to complete their practical courses to qualify for the National Certificates.

The Steel Oversight Council should drive this programme as a workstream.

The Council should also compile a register of artisans who have been retrenched, retired or left the industry, to ensure that the use of skills is optimized. An initiative between the German government and three South African Ministers (Higher Education, **the dtic** and Employment and Labour) can be leveraged.

DEMAND-SIDE MEASURES

7 INFRASTRUCTURE PROGRAMME AND LOCALISATION.

Nedlac negotiations have produced commitments to local production. The Steel Master Plan seeks to implement these commitments.

7.1 Designation of products for local manufacture and addressing evasion of designated products is a key issue. **The dtic** has designated a wide range of steel products for local production, which requires public entities to buy locally-made steel. This is a significant step forward and has assisted local firms. However, there are gaps in implementation with some entities not adhering to the rules. This results in South African companies owned by both black and white shareholders losing contracts from SOEs and municipalities, with the resulting loss of the business and / or jobs. Industry has given examples of product specification that have the effect of excluding local production. Representations from some stakeholders to the Facilitator have suggested that in some cases, these are for unjustified reasons. Products are sometimes over-specified or could easily be replaced by locally manufactured alternatives with the same function, performance and quality. The proposal by industry stakeholders for an effective Compliance Investigation Unit, supporting the SABS and other state bodies such as the Auditor General and backed up by meaningful accountability and penalties, can address this problem. This proposal will be considered by the Steel Oversight Council. Ultimately, however, two measures are essential:

7.1.1 A commitment from the SOEs, SALGA and the metros that they will adhere to the designations unless there is a compelling reason to deviate and that they will give early warning of such deviations and be transparent about them. **The dtic** will work with the Department of Public Enterprise (DPE) and the Department of Transport to prioritize signing charters with the major SOEs (initially Transnet, Eskom, ACSA, SANRAL, PRASA and Denel), with detailed targets and mechanisms to be agreed after signature of the charters in memoranda of agreement.

7.1.2 There should be an investigation into the possibility of altering BBBEE procurement rules to reduce the points awarded for purchasing from middlemen who add little or no value (below a significant threshold to be defined i.e. not repackaging or relabeling) and add points for local manufacture. **The dtic** will discuss with the National Treasury the option of including value-add and local manufacture requirements in procurement regulations and the policies adopted by the SOEs and municipalities.

7.1.3 Designations must be reviewed from time to time to ensure that they are current.

7.1.4 The National Treasury has listed measures which can be used in case of evasion of designations and other restrictions. These are listed in Annexure C.

7.2 Agree with the Infrastructure and Investment Office in the Presidency and Infrastructure South Africa to optimize localization of components for their infrastructure projects which include public funds. A delegation from the steel industry met the Investment and Infrastructure Office in the Presidency about local content for the pipeline of infrastructure projects which will be driven by Infrastructure South Africa. A proposal for maximizing local content has been workshopped with the industry, the unions and **the dtic** and has been sent to the head of Infrastructure SA. The agreement should include measures to optimize localization by eliminating the rewards for using middlemen who do not add production value and simply import components, by maximum transparency in procurement, by involving the industry at an early stage in project design and by ensuring that designs are based on specifications which do not exclude local production. Key programmes include water pipelines and reticulation, railway network expansion, port expansions, renewable energy and large-scale housing programmes. In the second phase, detailed memoranda should be agreed which set out the procedures and targets and how they will be monitored. It has been proposed that a review be conducted of the way BBBEE points are allocated and to include more points for local production.

7.3 The Department of Human Settlement will in many areas be making serviced land available rather than completed housing. It is vital that the industry work with the retailers and government to prepare for this by further development of steel frame housing options and that standards be established which do not allow the sale and use of dangerously thin steel sheeting. The Steel Oversight Council should lead this discussion.

7.4 State-Owned Enterprises and Local Government. **The dtic** will work with the DPE, COGTA and the Steel Oversight Council to reach agreement with the State-Owned Enterprises (including water boards), SALGA and the metros to drive localization. In the first phase, **the dtic** and the industry will aim to sign a charter

with Transnet, Eskom, ACSA, SANRAL and Denel to optimize localization by eliminating the rewards for using middlemen who do not add significant value and import components, by maximum transparency in procurement, by involving the industry at an early stage in project design and by ensuring that designs are based on specifications which do not exclude local production. Port expansion and the proposed gas pipelines, water projects and housing are key areas which should be targeted for local production. In the second phase of implementation, the industry will aim to sign detailed memoranda with these entities which set out the procedures and targets and how they will be monitored. A scorecard could be agreed to support localization.

7.5 Transnet has committed itself to working with the Steel Master Plan and **the dtic** to maximize local content. The following are being considered or are in process:

7.5.1 Following initial engagement with Transnet, it has reviewed its requirement for rails which are not manufactured in South Africa. In order to stimulate a local industry which is able to supply the long, heavy and hard rails they require to replace much of the rail network, Transnet has issued a global RFI for a 20-year supply of rails at about 77 000 metric tons per year, to be manufactured in South Africa. The 20-year timescale is an incentive to investment in the capacity and technology required to produce the head-hardened, 60kg/m rails which Transnet will require in future. They may, however, retain some lighter rails (57kg/m).

7.5.2 Transnet has identified the role of middlemen in procurement as a problem. The middlemen increase the cost by taking a margin but adding no value. In the cases cited by Transnet, all of the material supplied was imported, usually from a large Asian exporter. Transnet states that the motivation for Transnet managers to use middlemen is usually to comply with BBBEE requirements, pointing to a need to review applicable codes. Another example is cranes assembled by Polish companies, which could be supplied by South African industry. Transnet wishes to eliminate middlemen in its procurement.

7.5.3 In order to improve its procurement, Transnet has agreed to cooperate with **the dtic** through the Steel Master Plan on the following projects. Discussions on the mechanics of the cooperation are taking place between **the dtic** and Transnet.

7.5.4 Transnet is working with **the dtic** to commission the development of a master plan for the rail industry supply chain. It would include, amongst other things, a comprehensive analysis of the existing and required capacity and capability of the South African steel and engineering industry to supply Transnet and projects in the region.

7.5.5 Transnet does not have a catalogue of components and spares and wishes to put in place an electronic procurement system. This would systematize and fast-track procurement and make it far more transparent. Transnet has therefore agreed to partner with **the dtic** and IDC to digitize the rail industry supply chain, in a manner similar to the project to digitize the mining industry supply chain.

7.5.6 Besides rail replacement and wagon-building projects, Transnet expects to carry out some major projects around the ports. For instance, the extension of the Durban port is a priority, including extending the rail lines right into the terminals and rerouting surrounding roads. The scope of the work in Durban is the subject of discussions between Transnet and **the dtic**. Possible pipeline projects present enormous possibilities for the country as exciting mega-projects. The private sector has shown great interest in supporting and taking forward these projects, to enable them to come on stream as soon as possible.

7.5.7 Transnet will work with **the dtic** to explore options for regional projects based on an SA Inc approach and utilizing the opportunities under the African Continental Free Trade Area. These projects will require extensive information about business and project opportunities on the continent. The projects are likely to require comprehensive user funding packages. Transnet believes that a new procurement framework similar to those used by Armscor and Denel will make its offering competitive on the continent.

7.6 Discussions with Eskom on its supply chain and tariffs need to be accelerated, following commitment from the Eskom CEO to working with the Steel Master Plan to increase localization.

7.7 **The dtic** will work with the Steel Oversight Council to reach agreement in the second phase of the implementation of the Master Plan with the DPE, the Department of Transport, the Auditor General, the SABS and the National Prosecuting Authority on partnerships with these agencies to monitor localization.

8 IMPORT REPLACEMENT

8.1 There are many opportunities for import replacement. The industry must be competitive, but opportunities will also be increased by effective implementation of the designated product regulations by the SOEs and municipalities and the prevention of illicit and sub-standard imports. The import replacement of an estimated 200 000 tonnes of final products will generate approximately 800 new direct jobs (multiplier of 4 jobs per 1000 tons sold into the manufacturing sector) and generate a positive turnover of R7bn per annum. Details are set out in Annexure G. In fact, there should be opportunities to exceed these figures. The Steel Oversight Council will work with sectors to identify the opportunities and necessary commitments from industry, unions and government to optimize the import replacements. Discussions must include the entire value chain for each sector. Some companies are already investing in plant to produce the higher value-added products for import replacement.

8.2 Building on success is crucial. The wire industry is successful. Most of the companies in the sector have invested in recent years, are efficient and utilize up-to-date technology. Some have withheld dividends for five or more years to fund upgrades. There are very significant opportunities for import replacement if there is effective enforcement of local content and prevention of illicit imports. The industry is also able to extend its exports, especially into SADC and the rest of Africa and this should be a target of export promotion activities. This is an industry which can be very successful, but is currently threatened with a shortage of wire bars. The discussions between this sector and **the dtic** will be pursued energetically to optimize the growth of this sector in import replacement and in exports. A sub-sector component to the Master Plan for this industry should be prioritized.

8.3 SARS has agreed to prioritize steel industry imports for investigation and enforcement, especially with respect to under-invoicing and misdeclaration of goods and the export of scrap. Discussions are taking place in the Inter-Agency Task Team concerning the level of resources available. **The dtic** and SARS have agreed on a reporting framework which does not contravene SARS' obligation to hold certain information confidential.

8.3.1 SARS has been requested to set out what assistance they require from the industry and how that can best be delivered. The industry will then seek to conclude a memorandum of agreement with SARS to support its activities. SARS already prioritizes scrap exports. One idea is to consider release of trade information on imports of goods according to finer divisions of HS codes.

8.3.2 Criminal prosecutions are important: penalties for illicit imports and exports are not regarded as adequate by the industry. The industry will have to support the SARS and the NPA in providing information about unlawful. It has been proposed by some stakeholders that the Steel Oversight Council should discuss with SARS the possible restriction of certain types of imports to certain ports of entry.

8.4 **The dtic** is investigating a proposal by the industry for a pre-surveillance system, whereby import permits are required and will be issued automatically. This will allow the industry to track imports and to plan for import replacement.

8.5 The industry has submitted proposals for additional HS codes to be subject to tariffs and for some tariffs to be raised to the bound rate. Specific problems are raised by the use of the code for alloy steel to import steel with minimal boron content exempt from tariffs and the use of the "other" category to cover a range of products inappropriately. ITAC is investigating these and industry must provide information to ITAC on products where "other" categories require investigation. ITAC should be directed to conduct an analysis of the efficacy of the tariff structure across the value chain. Reciprocal commitments must be strengthened and monitored where tariff support is granted in order to minimise the cost-raising effect of import tariffs, especially on the downstream steel industry (e.g. flat steel weighted price basket). Impact assessments on tariff support provided to both upstream and downstream steel products should be conducted with a view to providing fact-based inputs to inform policy and not just unsubstantiated claims from the industry. ITAC will embark on the analysis of the tariff regime for industries targeted for a 'buy local programme' with a view to identifying opportunities for import replacement and tariff support.

8.6 The major retailers have undertaken to support in principle a BUY LOCAL programme. Early stage discussions have taken place at Nedlac with social partners on the following products. These discussions should be taken further with the industry and with the support of the entire supply chain for each product group to tie the undertakings down to concrete commitments.

8.6.1 Holloware and cutlery.
8.6.2 Garden tools and wheelbarrows.
8.6.3 Roof sheeting and cladding
8.6.4 Wire and wire products
8.6.5 Fasteners
8.6.6 Exercise weights.
8.6.7 Braais and braai equipment.
8.6.8 Garden furniture.
8.6.9 LPG cylinders

8.7 Further discussions at Nedlac identified a set of value-chains, a number of which will assist with demand for local steel.

8.8 The industry recognises using the home market to improve economies of scale and capability and develop export markets.

9 PRODUCT VALUE CHAINS

9.1 There will be major opportunities in climate change resilience. The industry should be pro-active in developing water recycling plants, desalination plants and improved water reticulation and conservation. The extensive water infrastructure (dams and pipelines, reticulation, maintenance of municipal systems) presents major opportunities, which will be supported by the designation of products by **the dtic** and the focus on localization of the Presidential infrastructure projects.

9.2 There will be major opportunities in the renewable energy industry. Key products include windmill towers, solar panel frames and solar water heating tanks. These opportunities should be written into the project planning by the DMRE and the Department of Human Settlement.

9.3 The DMRE has committed in its Minister's budget speech in July 2020 to an extensive programme to promote the use of LPG gas in South Africa. The DMRE wishes to see at least 3 million houses using LPG gas for space heating and cooking. The development of new housing provides huge opportunities. The opportunity for the manufacture of gas cylinders is clear and a few projects are being considered. There are attractive opportunities for the use of stainless steel for the manufacture of cylinders. In order to exploit this opportunity, it is necessary to consider whether the refilling of cylinders can be removed from the monopoly suppliers and become a major opportunity for small businesses. **The dtic** will work with the producers and the DMRE to consider this opportunity.

9.4 Discussions have taken place with the auto industry. The increase in local content in that industry will provide opportunities for special steels (but the volume may not be sufficient to justify major investments in lighter and stronger steels and special finishes). However, there will be opportunities in the new power chains for hybrid and electrical vehicles. The industry is actively involved in discussions with the auto industry for new models coming into production in 2021 or 2022 and with how to increase the local content to 60% by 2035. This is a major challenge for the steel industry and one which it must pursue more actively.

9.5 Discussions have begun with the Minerals Council and the DMRE on how to boost local content in line with the Mining Charter. The mining industry spends about R316 billion per year on consumables, of which about R56 billion is imported. About R20 billion of the spending on consumables is spent on steel and steel products. About R40 billion per year is spent on capital projects, which is substantially down from R55 billion in 2010. Much of this is on civil works, but there is significant spending on structural steel and other steel products. The mining industry is therefore a very important partner for the steel industry. The mining industry is keen to digitize its supply chain and is partnering with **the dtic** on a project to do that. The tender for Phase 2 of the project has been issued by the IDC. This will allow very significant cost and efficiency savings in procurement for the mining industry and it will allow much better access for the steel industry and monitoring and reporting of local content. It is likely to smooth demand from the mining industry, so allowing for better planning and more efficient production runs of steel products.

9.6 MINING EQUIPMENT MANUFACTURERS SEE SUBSTANTIAL OPPORTUNITIES IN SUB-SAHARAN AFRICA AS WELL AS SOUTH AFRICA. **The dtic** and the DMRE must align on this campaign. Due to Southern Africa's exceptional minerals endowment, SA and the rest of SADC have a larger mining capital goods market demand than Europe, potentially allowing for scale economies for the bulk of these inputs. The SADC import displacement opportunity is around $4 billion / year (about R70 billion / year). However, building the mineral backward linkages (supply chain) is critically dependent on building a strong mining RDI capacity (and STEM HRD), which SA once had (COMRO and SA "Mining Houses" R&D capacity), but by 2015 this had dissipated. The Mining Phakisa (2015) recognised the crucial importance of rebuilding SA's mining RDI capacity in order to (1) develop new technologies to be able to safely and viably extract our huge ultra-deep (gold) and narrow reef hard-rock resources (mainly gold & PGMs) and (2) in order to realise the enormous supply chain industrialisation opportunity in capital goods manufacture. The mining/processing capital goods included here are also used in other sectors, such as earth-moving and construction, materials handling, water treatment, chemicals, etc. These add to local demand and the opportunity for establishing local manufacturing industries for inputs. The $4 billion / year excludes capital goods where mining is not the biggest market: e.g. commercial trucks/bakkies, road building equipment, generators/motors, et al.

9.6.1 **The dtic** will collaborate with the Mining Equipment Manufacturers of SA (MEMSA) and the OEM Forum to develop a concept plan for the manufacture of mining equipment and the development of partnerships and plants in the SADC region.

9.6.2 The focus at first will be on the SADC region. The SADC Council of Ministers has approved a mining strategy which emphasizes backwards and forwards linkages into manufacturing, especially looking at opportunities in the manufacture of mining equipment. There are several South African OEMs in the industry. They are keen to develop partnerships with firms in the region, where those firms could form part of the value chain. Discussions have taken place with the African Development Bank and others for the creation of a venture capital or similar fund to assist the development of plants (such as machine shops and foundries) in other countries in the region. The regional (SADC) market outside of SA is about the same size as the SA market, but is growing faster than that of SA, and is even more reliant on imports than SA. The SADC Regional Mining Vision calls for "regional-local content", where all members would recognise value addition in other member states, weighted to advantage poorer states, to increase the market and scale economies. The RMV recognises that access to capital is a major constraint to taking advantage of the huge supply-chain opportunities and consequently proposes the creation of a regional fund to co-invest in supply-chain plants.

9.6.3 Foreign OEMs often have home-country Export Credit Agencies (ECAs) to provide cheap credit for the leasing of their capital goods, which cannot be matched by SA OEMs and has contributed to their losing market share. The IDC has been asked to develop a competitive leasing system. The IDC has already developed a leasing instrument for SA rolling stock manufacturers, with a local company.

9.6.4 SA has mining OEMs that manufacture, or can potentially manufacture, almost all of SA's mining supply-chain requirements at international standards, using locally developed Intellectual Property. Although most mining capital goods were bound at zero tariffs in December 1993 (HS 843031) there is some mining equipment that is applied at zero, but bound at 10% to 50%, such as Articulated Dump Trucks (ADTs) and tractor loader backhoes (TLBs). The SA manufacturers claim that they could possibly double their sales if the 10% tariff was applied on selected imports. **The dtic** will engage ITAC concerning these tariffs and their WTO bound rates. The National Treasury notes as follows: "Tariff protection will reduce the volume of low priced imports by increasing the cost of imported yellow metals for both government and the private sector, making the local producers more competitive. As such, ITAC should prioritise the tariff investigation for mining construction vehicles".

9.6.5 Three interventions (leasing, PPPFA designation & tariffs) are practical and could dramatically increase the market share of South African OEMs by displacing imports and should be urgently implemented. The SA mining OEMs and elements of their supply chains are at a tipping point after years of increasing challenges that have led to a well-documented trend of de-industrialisation. Further delays in action will ultimately lead to an irreparable loss of capacity.

9.6.6 The OEM Forum of the international OEMs published a Position Paper in June 2020 which outlines the vision and intent of its members to contribute towards job creation, economic growth and transformation.

9.6.7 The OEMs, as suppliers to the mining industry, operate in the same economic sphere as the mining rights holders. Given the Mining Charter requirement for the mining industry to increase its local content, the steel industry must be evaluated for product availability.

9.6.7.1 Most OEMs source steel and components, such as the steel for bodies, frames, and drives, from third party steel suppliers and component suppliers.

9.6.7.2 The steel component typically represents 30% of the mining goods' cost in South Africa.

9.6.7.3 The OEM members import quenched and tempered steel for use on Dump Truck body fabrication. Products produced for use in earthmoving and mining are predominantly manufactured from quenched and tempered steel. Mittal in South Africa does not produce this grade of steel, so the steel is imported from Europe or Asia.

9.6.7.4 Local steel manufactures cannot meet the specifications required for these products and do not have the various plate size thickness required.

9.6.7.5 There may be a difficulty if Yellow Metal equipment is designated, but there is no exemption for steel that cannot be sourced locally to manufacture the equipment.

9.6.8 The demand for locally manufactured steel products has diminished year on year since 2010 due to a downturn in mining activity and a lack of infrastructure projects that require steel fabrication. Steel fabricated structures for infrastructure projects, when required, are often sourced by Government and the mines from outside South Africa, specifically from Asia, which has no benefit in terms of job creation or retention.

9.6.9 Steel is a major input cost to most OEMs, second only to labour, but provides no benefit in terms of preferential procurement, due to the downstream supply chain having a poor B-BBEE Scorecard. This in turn affects an OEM's B-BBEE Scorecard and that of its customer.

9.6.10 The import process has inherently long lead times, quality issues and unstable pricing. It has been suggested that Government needs to offer local suppliers and fabricators some protection through incentives and duties on finished goods, based on local capabilities and competitive international benchmarking and not dumped products.

9.6.11 At the current local steel price, the OEMs state that it is cheaper to import the steel and / or components and / or completed machine than to manufacture locally.

9.6.12 Understanding the supply chain and the value chain is therefore critical and **the dtic** will work with the DMRE, MEMSA and the OEM Forum to identify measures which will stimulate local content and export potential.

9.6.13 Yellow Metal. As noted above, there are significant opportunities for the yellow metal sector in South Africa (municipal maintenance, construction, mining, agriculture, infrastructure) and in sub-Saharan Africa, especially SADC.

9.6.14 SA yellow metal manufacturers are disadvantaged in South Africa and the rest of Africa relative to international suppliers. South African manufacturers must be able to offer customer financing and aftermarket servicing packages to be competitive. This is a critical competitive factor. International OEMs also have access to finance from state agencies at close to zero percent interest.

9.6.15 R&D and IP are crucial in this sector. South Africa had leading technology, through companies like Boart Longyear and Bell. Boart was sold off to a foreign owner when AAC left South Africa. Suitable R&D support will need to be considered in discussions with the DSI. This is an important area for 4IR technology development. It should be raised to the priority list of the Presidential Commission on the 4IR in respect of technology and skills.

9.6.16 The designation and enforcement of South African yellow metal equipment with a minimum local content is crucial, covering front-end loaders, TLBs, loggers, haulage tractors and dumpers. Consideration is being is given to a designation of yellow metals, which can maximise locally manufactured equipment for the imminent infrastructure stimulus package, and discussions on governance processes are underway. However, local manufacturers have already ceased production on at least one line because of the zero-rating of imports. The local manufacturers are under pressure and import tariffs at the bound rate are very important for their survival.

9.6.17 The international OEMs are open to discussion on localisation and this should be pursued energetically.

9.6.18 The Steel Oversight Council will be requested to consider a proposal that components provided for local assembly operations which satisfy local content requirements should be duty-free. The anomaly at present is that built-up imports are duty-free, but some components are subject to duty, which places South African manufacturers at a disadvantage. The industry will be requested to identify and make applications to ITAC to investigate these duties.

10 EXPORTS

10.1 Exports can be increased. A national SA Inc campaign to grow exports and to convince firms to focus outwards as well as inwards is essential. It should be driven by the Steel Oversight Council, with all stakeholders playing a role. The first priority of the export campaign should be the Mozambique oil and gas field projects. The Steel Oversight Council will convene a forum of stakeholders to discuss and launch the export campaign.

10.2 Annexure H sets out the industry's exports in 2019. Structural steel, wire products and tubes and pipes have large exports, which could be substantially increased, especially into sub-Saharan Africa. SADC must be the target market in the first instance. SADC countries (excluding South Africa) imported about R50 billion of iron and steel products in 2019. While SADC exports are mainly overland, there is a view in the industry that logistics costs and the tariffs and inefficiencies on the railways and at the ports are significant problems for exports. This must be addressed urgently.

10.3 The excess of both flat steel and long steel could be exported into SADC and sub-Saharan Africa. The SADC region does not have excess capacity for long or flat steel and could absorb most of South Africa's excess capacity. It is estimated that Africa (excluding South Africa) below the Equator imports about 50% of its rebar from outside the continent. Total steel demand in Africa is estimated at 35 million tons per year, of which the Continent produces about 12-15 million tons. The largest demand is from North Africa, which is supplied mainly from Europe. (Egypt has doubled its capacity over the past decade, but supplies mainly North Africa). Upgrading the value-add of the mini-mills by supplying them with high-quality billets (from ore) instead of scrap would allow the South African industry to cost-effectively supply most of the region's long steel requirements.

South African producers state that the import competition from Asian markets in African markets enjoys export rebates from their governments, which places South African exporters at a 12-15% price disadvantage. The South African producers say that a cost reduction of 6-10% on South African exports would make them competitive.

It must be noted that mini-mills are rapidly being established across the Continent, with at least 15 mini-mills, as well as small bore tube plants and finishing lines, operating in Kenya alone, with others in other SADC and East African countries. There is an increasing trend for Indian operators on the East coast and Brazilian, Chinese and Turkish operators on the West coast to establish small cold-rolling mills, galvanizing plants and tube-making plants. These plants cold roll thin sheets and rebar and light sections. They typically produce about 15 000 tons per month each. There is a now a colour-coating line in the North of Mozambique to produce about 6 000 tons per month for the oil and gas fields. This must be considered when developing an export strategy which takes into account the importance of local partners and JVs. Establishing an export strategy, including partnerships and JVs, is therefore urgent.

Iscor's Saldanha plant was built as a state of the art integrated producer. It has been mothballed. It has been proposed that the plant be restarted and incorporated in a West Coast steel complex, including the re-rollers and other users. Exports from Saldanha are geographically well placed for Africa, the USA, South America and the EU. Investigations in this respect are under way.

10.4 AfCFTA

To take advantage of the African Continental Free Trade Area (AfCFTA) to utilise opportunities for infrastructure programmes in sub-Saharan Africa, South Africa must work with the various countries to develop well-structured specialisations and cross-border value-chains in the manufacture of these supplies.

As pointed out above, some competitors in Africa (particularly Chinese firms) enjoy export rebates, giving them a 12-15% price advantage. Primary steel producers must be engaged on providing competitive pricing to exporters. This rebate was previously provided by the primary steelmakers for value-added exports.

The cost of risk cover, especially the forex cover required because of rand volatility, is a significant problem in winning large projects in other countries. While some of this is unavoidable, the whole area of credit cover, forex cover and end-user financing will need to be addressed by **the dtic** with the ECIC, the DFIs, the banks and the National Treasury, taking into account the country strategies and packages which support the exporters of other countries. The National Treasury notes that the Export Credit Insurance Corporation of South Africa (ECIC) is a key player and that "the availability of instruments that cover key risks is critical to the development of large projects to ensure they are executed in a globally competitive manner. Anecdotal evidence suggests that exporters often find these products expensive and inaccessible within the very quick turnaround times required to facilitate the successful negotiation of large international projects. The ECIC should also be consulted in this regard".

The recommendation of the Presidential 4IR Commission for the development of block chain technology should be leveraged to enhance the export initiatives.

10.5 USA and EU: Action plans will be developed in respect of these markets.

CROSS-CUTTING ISSUES

11. INDUSTRY COHESION AND STEEL INDUSTRY DEVELOPMENT FUND

11.1 Industry leaders will work to bring the industry together. The capacity and expertise remaining in the sector associations must be increased and used more effectively to rebuild the industry and provide specialist business development services and information. Potential issues with the competition legislation must be clarified with this in mind. There is an urgent need to improve the availability of statistical information about the industry, to develop standards and to be able to liaise effectively with government, which the current fragmentation makes very difficult.

11.2 The Steel Industry Development Fund

11.2.1 The industry will establish a Steel Industry Development Fund through a levy on each metric ton of primary steel sold. The Fund and its use will be controlled by the industry itself. The levy will be a fixed amount (R5 – 10), which is a very small percentage of the total steel price (about 0.1%) and must be guaranteed to continue for at least three years. Individual companies have committed further amounts to the Fund. It is proposed that it will be administered by an industry body, using existing capacity, but will be controlled by a representative Steel Industry Steering Committee. The Steering Committee of the Fund will include representatives of **the dtic**. This levy has been agreed by all but one of the major steel producers and all of those canvassed in the mini-mills. The remaining producer is however committed to supporting specific programmes. It is proposed that the levy be applicable to both domestic and imported products equally; i.e. an equivalent amount must be levied on all imported steel. Imposing a levy on imports will require further engagement with the National Treasury. In the first instance, the Fund will support the following projects. The Steering Committee will approve business plans and budgets for them.

11.2.2 Identifying new market opportunities, particularly on the African continent, and promoting exports.

11.2.3 Supporting joint research and development projects to strengthen the value proposition of local steel producers.

11.2.4 A Compliance Investigation Unit, which will support SARS, **the dtic**, the Auditor General and the National Prosecution Authority to enforce the trade measures on imports and the use of local production for designated products and support local content verification.

11.2.5 It will be based on a database which receives information from the industry and from a whistleblowers line, which can be made available by the Powerline Association. Investigators will be employed who are very experienced in the industry and can train SARS officials and follow up designation and other procurement issues. Other assistance to SARS will depend on SARS' requirements. The terms of reference of the unit are attached as Annexure B The unit will make consolidated and anonymised reports to the industry on a regular basis.

11.2.6 Mentoring and training programmes, especially of middle and junior management and scarce skills, such as steel fixers and toolmakers. The primary objective of the training and mentoring is to increase professionalism and expertise in the industry.

11.2.7 Produce authoritative indices and produce statistical reports. The aggregation of sales and prices will be very valuable for the industry.

11.2.8 Support the compilation of applications for trade remedy measures for industry which often requires an independent organisation to collect commercial information.

The Competition Commission prescribes the following principles in respect of the collection and sharing of information about the industry

For information sharing to the acceptable in the manner proposed, the following broad principles need to be considered:

- The sharing of information must be facilitated by an independent third party, and this can be funded from the levy. This will allow for information to be aggregated and shared with industry in real time, without the risk of collusion.
- It is important to ensure that competitively sensitive information such as prices, customer lists, production costs, quantities, turnovers, sales, capacities, marketing plans, risks, investments and technologies is not shared between competitors, unless under very strict conditions.
- Depending on the structure of a market, the information can be shared in aggregated format and within specified timeframes for different type of information (e.g. historical data, current strategies or future plans). However, the steel sector is highly concentrated, which makes it susceptible to collusion.
- Government policymakers usually require information, which may include competitively sensitive information, from market participants in order to formulate policy. In other circumstances, government regulators require information to allow them to regulate industries. It is perfectly legitimate from a competition perspective, for policymakers and regulators to collect and process information from market participants and for firms to provide the relevant information.

12. TRANSFORMATION

12.1 Transformation has not made adequate progress. It is necessary to distinguish between hands-off investment and hands-on ownership and participation. A number of black industrialists have emerged in the steel and metal fabrication sectors, in part as a result of government policies and funding. Like the rest of the industry, many are struggling.

Some investments have been in businesses which are weak or failing and have little prospect of turning around in a shrinking industry with low demand. Supporting investment of new players in failing enterprises in a shrinking market can set people up to fail. The IDC is becoming much stricter about the need for investors to put in some of their own capital before it invests.

The industry should work with the IDC and **the dtic** to formulate sustainable and effective transformation strategies linked to effective local content policies, addressing amongst other things the development of skills, representivity of senior management and technical experts, and supplier development. Embedding new and SMME businesses in the supply chains of large businesses is usually the most effective way of developing the new or small businesses, rather than expecting them to “go it alone”, especially in the export market, where they are unlikely to even gain access to project procurement.

12.2 Worker involvement models at company level must be explored further and given more prominence as an option for transformation. Options should include both share ownership and participation in strategic decisions on productivity, optimization, skills and training and other relevant matters. These should count towards transformation and localization targets. The unions have stated that they are open to discussing these options.

ANNEXURES

ANNEXURE A

The wire industry

Value added exports of wire products peaked in 2003 at 294 000 tons.
Wire exports are still the highest value added range of steel exports at an average of R28 450/ton
The wire industry comprises 26% of the SA steel industry on a volume basis.
SA wire rod capacity is in excess of 1 million tons p.a.; current utilisation < 80%
Current wire production utilisation <60% of capacity.
Wire & Wire Products comprise approximately 40 % of all value-added steel exports from SA, resulting in export revenue of R 7.44bn in 2018.
The SA wire industry employs an estimated 6000 people.
Import Duty Applications:
Wire nails – approved
Fencing products – approved
Galvanised & Hard Drawn Wire – approved
Gabions- approved.
Welded link chain – approved.
Welding Electrodes – in progress
Co -operating with SARS, DTIC and other downstream associations to curb import duty circumventions.

Wire and Wire Products

	Exports:	Imports:
2013	238 944 tons	236 484 tons
2014	255 988 tons	218 180 tons
2015	257 970 tons	256 343 tons
2016	267 133 tons	240 012 tons
2017	275 423 tons	240 122 tons
2018	288 115 tons	233 900 tons
2019 (to July)	181 703 tons (R5.17bn)	127 942 tons

EXPORTS BY PRODUCT SECTOR

Tariff No	Product Group	Tons	%
7217	Drawn Wire	70261	24.4
7312	Wire Rope / Cables	26023	9.0

7313	Barbed Wire	8469	2.9
7315	Chain	5958	2.1
7317	Nails	3658	1.3
7326	Articles of Wire	89068	30.9
7314	Netting, Dia Mesh, Welded mesh	49350	17.1
7318	Fasteners	24625	8.5
7320	Springs	2989	1.0
8311	Welding Electrodes	5352	1.9
	Others	2362	0.9
Total	2018	288115	**100%**

EXPORTS

Country	2015 tons	2016 tons	2017 tons	2018 tons	2019 tons Jan- July	
Namibia	44487	36552	26708	24975	11996	10.6%
Zambia	20764	19830	21435	23107	12006	10.6%
Botswana	28955	23747	33179	28099	15259	13.5%
Zimbabwe	31948	32978	32030	34892	14995	13.3%
Ghana	3225	5319	3763	3592	3202	2.8%
Mozambique	12035	8538	6309	8318	7552	6.7%
DRC	5265	4626	4552	9829	4239	3.8%
Swaziland	8440	7800	10378	9499	5562	4.9%
Lesotho	5142	6969	8560	8545	5686	5.0%
Kenya	0	288	543	693	21011	18.6%
Malawi	3108	4153	4407	5689	3601	3.2%
Other	13525	12994	12770	7959	7819	7.0%
Total	176934	163794	168234	165197	**112928**	100%

Regions	2014 tons	2015 tons	2016 Tons	2017 tons	2018 Tons
Africa	174116	176934	163794 61%	168234 61%	165197 57.3%
E.U.	31483	20144	22979	22423	27402 9.5%
Far East	19787	39003	56286	62069	66940 23.2%
Indian Ocean Islands	6720	1493	1159	1659	1425 0.6%
Middle East	2927	3779	4036	3336	5477 1.9%
NAFTA	17767	14752	16408	11247	13089 4.5%
S. America	2915	1721	2003	6337	8342 2.9 %
Other	211	144	468	118	243 0.1%
Total	255 988	257970	267 133	275 423	**288 115** 100%

	2017 tons	2017 tons	2018 tons	2018 tons
Brics Partners:	Imports From Brics:	RSA Exports to Brics:	Imports from Brics:	RSA Exports to Brics:
Brazil	977	4484	579	6786
Russian Fed	0	0	4	17
India	6450	959	9202	793
China	143 192 59.6%	1 645	144906 61.9%	720
Total Trade with Brics	150 620 62.7%	7088 2.6 %	154691 66%	8316 2.9%
Total Import/Exports	240 124	275 423	233 900	288 115

Wire Industry Challenges

Internal

- Local cost of raw materials increased since duty protection granted to primary steel producers.
- Production, labour, energy, distribution increases.
- Weak domestic demand from construction, agriculture, mining and manufacturing.
- Major job losses in steel and wire sectors.
-Volatile Currency.
- Duty applications costly and lengthy, Rigid Rules – no short cuts.
- No increase in DTI funding for 9 years (promised increase not likely to happen)

External

- Low cost imports - Current tariffs ineffective / too low.
-Duty circumventions - tariff manipulations, under-invoicing.
- No duty protection from EU imports.
- Aggressive competition from Asia, Turkey into world markets.
- Imposition of 25% duty on steel (wire) imports to USA.
-Trade conflicts between major global trading partners.

SA WIRE ASSOCIATION PROJECTS

Training of emerging exporters:

- (Students from different sectors as part of our transformation process as requirement of DTIC to grow export volumes, exporter base and product diversity)
- Preparing anti-dumping duties: Galvanised wire, Barbed Wire, Wire Nails.
- Import substitution initiatives:
    - Support for independent training of customs inspectors.
    - Import Reference Pricing with SARS.
- Export promotion by attending appropriate trade shows:
    - International Wire 2020 Exhibition - already committed.

(Wire & Tube excluded from DTIC National Pavilions for 2019/20)

- Industry training at Scaw Training Academy:

Applied for MerSETA grant for skills training – waiting for adjudication.

- Provide members with research reports and market intelligence (SBB daily bulletin)
- Attend industry meetings. SABS, SAISI.

ANNEXURE B

COMPLIANCE INVESTIGATION UNIT – STAKEHOLDER PROPOSAL FOR CONSIDERATION

Objectives

1. To ensure that South African production is used wherever possible for designated steel and steel products which are being procured by organs of the State.
2. To identify cases where there is a contravention of the designation and to recommend to the DTIC what steps should be taken, including prosecution where appropriate
3. To identify patterns of behaviour which undermine local production and the system of designation.
4. To stop illicit imports – under-invoicing and mis-declaration.

Method

1. Establish a database to which the industry and whistle-blowers can send confidential reports.
2. Support SARS to stop illicit imports: SARS to decide what they can accept as support.
3. Track tenders which include the procurement of steel and steel products by organs of State, including especially the SOEs, the municipalities, the Water Boards and departments of government.
4. Track where steel and steel products which have been designated for local production are being procured through these tenders or others means.
5. Track where steel and steel products which can be produced in South Africa, whether or not they have been designated by the DTIC have been imported (even where an exemption has been provided)
6. Where designated products have been imported, scrutinize the design and specification of the products and the context in which they are being used in order to determine whether or not the specifications which exclude South African manufacturers are necessary, bona fide and legitimate.
7. Analyse the value chain, local value added and margins in the procurement of imported steel and steel products which have been designated.
8. Where anomalies are detected in any of these processes, report to the DTIC with recommendations for action. Actions may include reporting to the DPE, COGTA or SARS, prosecution or recommending to the National Treasury that firms be blacklisted for State procurement.
9. Recommend to the DTIC from time to time which products should be subject to new designations or revised designations.

Resources

1. Inspectors with long experience in the steel and engineering industry.
2. Investigators including investigators with experience in financial investigations.
3. A design engineer.
4. A system engineer.

5. A database administrator and analyst.
6. Whistle-blower line.
7. Administrative support.
8. Overheads.

Information

1. The unit will receive information from the industry, from following the tender bulletins, from whistle-blowers and from the media.
2. Information will be provided by the unit only to the DTIC and the SARS and will be kept confidential at all times.
3. The unit will provide anonymized and consolidated reports back to the industry and will circulate a report every six months on cases, results and trends.

Governance

1. The Steel Industry Development Fund which pays for the unit will be administered by an industry body and governed by a Steering Committee, to which the unit will report. The Steering Committee will include representatives of the industry and government
2. The Steering Committee will appoint a director of the unit.
3. The director will present a business plan to the Steering Committee for approval.
4. The Steering Committee will report to the industry every six months on the functioning of the unit.
5. The Steering Committee and administrator will not have access to confidential information held by the unit and will not receive information from the unit which is not also made available to the rest of the industry.

Funding

1. The unit will be funded from the Steel Industry Development Fund for a minimum period of three years.
2. The Steering Committee, in consultation with the DTIC, will review the progress of the unit annually and recommend an increase or decrease in resources.

Pilot project

1. The unit will be established as soon as possible and will carry out a pilot project to develop processes, protocols and practices.
2. The unit will prioritize
   2.1. Procurement by the metros, the SOEs and the water boards for the pilot project.
   2.2. Support to SARS
3. The scope of the pilot project will be approved by the Steering Committee.
4. The pilot project will be assessed annually by the Steering Committee and the DTIC. Decisions regarding the scope or activities of the unit will be based on the success or otherwise of the pilot project.

ANNEXURE C

Quote from the response by the National Treasury to the draft Steel Master Plan.

1. Where anomalies are detected in any of these processes (designations, under-invoicing, illicit imports), these must be reported to the DTIC with recommendations for action. Actions may include reporting to the DPE, COGTA or SARS, prosecution or recommending to the National Treasury that firms be blacklisted for State procurement.
    a. Currently, there are various prescripts that speak to restriction of suppliers; for ease of reference, the links are provided below:
        i. Regulation 14 of the Preferential Procurement Regulations, 2017 http://ocpo.treasury.gov.za/Resource_Centre/Legislation/Preferential%20Procurement%20Regulations%202017%20as%20per%20Gazette%2010684.pdf
        ii. Regulation 13 of the Preferential Procurement Regulations, 2011 (depending if the transgression happened under the 2011 regulations, and if it pertained to a matter falling within the regulations) http://ocpo.treasury.gov.za/Resource_Centre/Legislation/1-34350%208-6%20NatTreas.pdf
        iii. Instruction Note 3 of 2016-2017 (Prevention and combating abuse in SCM) http://ocpo.treasury.gov.za/Resource_Centre/Legislation/National%20Treasury%20SCM%20Instruction%20No%202%20of%202016-2017%20Procurement%20Plans%20-%20Submission%20and%20Reporting.zip
        iv. Treasury Regulations (TR16A9.2) http://www.treasury.gov.za/legislation/pfma/regulations/gazette_27388.pdf
        v. Clause 23 of the General Conditions of Contract http://ocpo.treasury.gov.za/Resource_Centre/Legislation/General%20Conditions%20of%20Contract-%20Inclusion%20of%20par%2034%20CIBD.pdf
    b. These prescripts apply if the bidder/supplier committed a transgression in terms of any of the prescripts listed above. If not, then the restriction would not be in terms of the aforesaid provisions, but in terms of the relevant Institution's policy (where the above prescripts may not be applicable), or it may be in terms of a specific contract.
    c. If a court of law convicts a person of an offence as contemplated in sections 12 or 13 of the Prevention and Combating of Corrupt Activities

Act, No. 12 of 2004, the court may also rule that such person's name be endorsed on the Register for Tender Defaulters. When a person's name has been endorsed on the Register, the person will be prohibited from doing business with the public sector for a period not less than five years and not more than 10 years.

d. Further, the draft Public Procurement Bill (the Bill) provides for the debarment of a bidder/supplier for any of the conduct listed in section 22 of the Bill. It also provides for criminalisation of certain conduct with various sanctions, such as fines or imprisonment. That is in section 118 of the Bill.

http://www.treasury.gov.za/legislation/draft_bills/Public%20Procurement%20Bill%20for%20public%20comment%2019%20Feb%202020.pdf

ANNEXURE D

Relief on electricity costs

One of the key challenges and impediments to growth in the steel sector is the supply of affordable and stable electricity. A number of energy-intensive industries that were established because of low electricity prices are not viable on the applicable Eskom standard tariff. There is strong evidence that, amongst other factors influencing business sustainability, the increase in real electricity prices in SA over the past decade has contributed to the deterioration in SA's competitive position as a global supplier of value added products, particularly for those businesses for which electricity constitutes a large percentage of operating costs.

The DMRE has approved the revised short term and long term framework for negotiated pricing agreements (NPAs) for energy intensive users which sets out the criteria for NERSA to evaluate, approve and monitor NPAs. The evaluation of NPAs at inception is based on the cost of supply. Direct Eskom customers can apply to Eskom and municipal customers can apply through the municipal licensee.

Eligibility criteria

- The applicant's operation / sector would be unsustainable in the short or long term on the applicable standard tariff
- Electricity must be a significant driver of the applicant's operating costs (i.e. typically within the top three highest cost elements)
- Alignment to SA's priority and strategic industries will be taken into account
- An applicant must consume a minimum of 80 GWh and/or have a load factor greater than 70 percent during at least two of the past three years in order to apply
- A letter from the dtic supporting the applicant's request for NPA.
- Consideration of the key strategic and socio-economic impact on SA in regards to job retention, beneficiation, taxes and levies, balance of payments, etc.

Short Term Framework (STF)

- The STF aims to provide qualifying consumers with access to electricity prices that are lower than would otherwise be available to such consumers, for a period of up to 36 months, with an option to extend after review. The STF has two distinct incentive categories, namely
- Category 1: Enabling qualifying consumers that have been forced to close or severely curtail operations or have under-utilised productive capacity to utilise some or all of this capacity; and
- Category 2: Enabling qualifying consumers that are facing an imminent threat of closure or severe curtailment of operations to sustain operations.
- A lower tariff can be considered for take or pay and commodity uplift arrangements.

Long Term Framework (LTF)

The long-term NPA framework is targeted at large industrial operations that contribute to the base load electricity consumption, economic wellbeing of South Africa and require electricity price certainty for their operations. The intention is to provide qualifying consumers with access to a lower tariff for a period of up to 10-years, as the operation / sector would be unsustainable on the applicable standard tariff

The base incentive price may be a flat tariff throughout the year, with no time-of-use or seasonal differentiation if the applicant can provide interruptibility that the system operator can utilise, within contractual limits, when the system is constrained.

ANNEXURE E

COMMON COMPLAINTS RECEIVED FROM SOME BUSINESSES

Port and rail inefficiencies

Rail

- Costly, including insurance, maintenance of rail sidings, shunting, RSR (Railway Safety Regulator) compliance.
- Resources required for tarping and securing rail wagons.
- Limited availability wagons for heavy coils.
- No flat beds available for sheets.
- Longer lead times.
- Inflexible booking with a minimum of 40 wagons that need to be booked limits opportunities to utilize rail.
- Disruptions and time delays due to unreliable infrastructure and cable theft .

Ports

Although the government is considering infrastructure expansions at the ports, the management of the port operations should also be addressed.

- The high costs of TPT compared to private leasehold berths illustrate that there is an opportunity for cost saving and lower rates with TPT. The CPI increases cannot be absorbed by industry.
- Comprehensive services should be offered by TPT (tally and cargo inspection).
- Reasons for cargo damage should be investigated and addressed immediately.
- A comprehensive industrial engineering study could help improve the utilisation of current facilities and resources and identify cost saving opportunities within TPT.
- Initiatives to alleviate port congestion and reduce the amount of trucks taking goods into the port need to be undertaken

ANNEXURE F

Skills development in the Steel industry

Challenges / Drivers	Recommendations
• There is no comprehensive or coherent, national strategy for skills development in the Steel Industry in South Africa. • There is little alignment between the industry and the DHET, the SETAs and the TVET colleges. • The DHET prioritizes an academic approach. The link between the workplace and occupational training has been lost and training has become too focused on the academic aspects. • The private sector does a lot of its own training, but not enough. There is a need for industry programmes across the steel and engineering industry sectors. • There is a mismatch between the skill sets of graduates and the skill needs of industries. • There is no focus on getting young people into the key skills that are required for occupations in high demand for the industry. • There is no standardization of curricula. They should be standardized in cooperation with the industry. The TVET colleges often teach an out-of-date curriculum with out-of-date equipment. Their graduates have to learn again from scratch when they get jobs on the shop floor. • The trainers themselves often don't keep up to date and so are unable to teach the required new methods, skills and equipment. • As a result, industry often doesn't have confidence in the TVET colleges and universities of technology and so won't provide places for the work practice / on the job training sections of the course. Many firms now refuse to take trainees because they do not have the required skills. It becomes very difficult to place trainees, so many cannot complete their national certificate training. • .It is not clear that the SETAs, the TVET colleges and the universities have consulted with industry regarding the skill and expertise profiles required for the future and in particular for the 4IR. • There is a stigma against students entering TVET colleges. They all want to get university degrees. Industry and government have not done enough to inform young people about the jobs and careers available in artisan and technical training.	• The industry to meet the DHET, preferably with the universities of technology, the TVET colleges and the MERSETA, to discuss alignment of industry's needs with the training. • Industry to recommend a review and standardization of curricula and equipment and retraining of trainers. There is an urgent need for the DHET, the universities of technology, the TVET colleges and the SETAs to sit down with industry to review curricula, equipment and career guidance strategies. • Industry to agree on the scarce skills and areas of scarce expertise and strategies to ensure capable students are recruited into these skills, with good and appropriate training and mentoring. • The industry should work with the SOEs and other companies which traditionally trained large numbers of artisans to see if it is possible to revitalize the training options. • Leading unions in the Sector to be included in the discussion. • South Africa's technical and vocational education and training system is primarily supply driven, i.e., the skills imparted by TVET Colleges may not be in line with the industry requirements. This has resulted in a mismatch between the skill sets of graduates and the skill needs of industries. The country also faces challenges in terms of having inflexible and outdated curricula, shortage of qualified teachers and trainers and unavailability of proper, up-to-date infrastructure (workshops and equipment).
• Access to empirical data from industry and complementary technological knowledge is not easily accessible without research in the Industry. • An increased output rate of research and development within sectors and a decrease in duplication of research. • Further exploration of synergies for scientific and technological skills development.	• Industry and the DHET or DSI to carry out a skills audit to identify the gaps of skills and of expertise / know-how. (Note that skills and expertise are not the same – expertise comes from working on challenging projects over some time and being mentored by experts). • Audit and research into training capacity within the country for the steel and engineering

	industry. • Research to be initiated for the sector to create a comprehensive current & future skills plan for the sector.
• Technical skills career path emphasis from Grade 9 level has to be more accessible and encouraged for youth transitioning into Technical & Operational Careers. • There should be a career path from operator to artisan, recognizing skills learnt on the job as well as formal training. Programmes need to recognize the interrelated competence requirements. • Insufficient measurable recognition of acquired skills forcing dependence on degrees & diplomas. • Insufficient DHET focus on occupationally directed qualifications, with standardisation of curriculum content between industries. Insufficient focus on development and delivery of training and insufficient quality assurance . • • Lack of long-term occupational training programmes for progression in Production and Engineering careers. Gap in • middle management levels is a barrier to progression. • Lack of correlation of competence between NDip, BTech and Degree is an obstacle to progression. • Phasing out of obsolete qualifications. • The period of experiential training for the National Certificates is being reduced from a year to 6 months, without consultation with industry. This is not aligned to the needs of industry and industry has already complained and said it will not hire graduates with only 6 months of experiential training.	• The industry with the DHET to address an exit strategy for pupils who wish to leave school at Grade 9. At present they have no options and become unemployed. Government should advertise it as an opportunity, not a disadvantage. • Scarce skills and occupations in high demand need to accessible from School Grade 9 level, with assistance from the industry. • Enhanced mobility between the industries in both public and private sectors, through intensive training and development, • Curriculum of programmes to emphasis interrelated work-integrated learning. • These need to be interchangeable and interrelated for career progression in lifelong learning. • A mentorship programme for managers and artisan / technical staff is needed within firms and across the industry sectors. • Consultation with Industry is required for transitioning of programmes and qualifications.
• Support material & immediate growth in Digital Education. Industry 4.0 is discussed by industry leaders and government, but adoption is fairly low compared to competitor nations. • The use of cloud technology, cyber-security, system integration and the internet of things (IoT) are integrated into the daily operations of steel firms. • Steel firms are adopting predictive maintenance software for automation and robotics.	• There is an urgent need for the DHET, the universities of technology, the TVET colleges and the SETAs to sit down with industry to review curricula, equipment and career guidance strategies. • It is not clear that the SETAs, the TVET colleges and the universities have consulted with industry regarding the skill and expertise profiles required for the future and in particular for the 4IR. Consultations need to be Industry focused. • Government needs to focus on the supply of high levels of communications connectivity and cheaper data for accessibility.
• Millions have been spent on short learnerships, which have not met the intended NDP goals as • the skills supplied have not kept abreast with the skills demand changes, leading to low industry absorption rates. Curriculum content was also unsatisfactory for Industry technological progression. • The steel industry has often taken an active lead, including funding for skills programmes.	• Funding models need to be re-assessed and funded programmes need re-assessment. • Universities and TVET institutions need to be accountable for the quality of their outputs – relevance & employment of graduates. • An industry-wide mentoring programme for middle management and further training for artisans to become Meisterarbeiteren (the German Master Craftsman title and system).

• There are misalignments for access to funding or incentives and facilities for both institutions and industry. • There is great need for an industry-wide mentoring programme for middle management and further training for artisans to become Meisterarbeiteren (the German Master Craftsman title and system).	Further assistance from the German and Scandinavian industry federations and unions should be sought. More attention should therefore be given to the training and development of existing artisans in the system (post-artisanal training), with the artisans developed into master artisans and technicians; • The industry should advance the concept of craftsmanship or Master Trade persons (we need Masters of trades and craftsman, not "trade test" artisans); • The private sector does a lot of its own training, but not enough. There is a need for industry programmes across the steel and engineering industry sectors.
	• Ensure that skills levies of the steel industry are spent on conducting training needed by the industry and deemed as a priority (demand-led and employer-driven training) • A strong focus on three skill areas in firms comprising hard technical skills training, post-artisanal training and training in digitalisation and new technologies; and • Consideration and prioritisation of retrenchment mitigation schemes for vulnerable workers and training support for retrenched workers. The retraining scheme agreed between NUMSA and the auto industry is a good example. • A database of retrenched artisans be urgently developed. • The industry negotiates with MERSETA for ensuring demand-led training and funding allocations for industry demand initiatives (the industry skills development plan should emphasise the changing nature of jobs, continuous learning, technical competencies, digital literacy, interpersonal skills and multi-skilling); • Programmes be offered for human-machine interaction, and workers be empowered to work with intuitive interfaces, supported by innovative assistance systems; • Tools such as blended learning, mobile learning, micro-learning and learning on-demand be developed; • Less emphasis should be placed by the Government on chasing national targets in terms of apprenticeship success rates; and • The industry should consider adopting at least 2-3 TVET Colleges in high-density steel production areas.

Conclusion

There is a mismatch between the skill sets of graduates and the skill needs of industry. Radical rethinking is required on the type of skills development interventions needed to keep the steel industry afloat.

- Convene a forum of the industry with the DHET, the TVETs, the Universities of Technology and the MERSETA to align their objectives and offerings with industry needs and to discuss the updating of curricula, equipment and teachers.
- Target key skills gaps.
- Launch industry-based middle management and advanced artisan mentoring system and programmes.
- Ensure that the education and training systems are tightly aligned to industry needs and growth, with support from industry. Devise and implement a steel industry-led skills development plan for quick implementation.
- Focus on the curricula that are relevant to current and future skills requirements in the Sector, including the new skills required for the 4IR.
- Industry involvement in developing content of skills programmes and standardised curricula for relevance.
- Re-assess funding models and incentives for skills development.
- Provide a clear career path to attract capable young people itno the sector and retain them.
- Provide Lifelong Learning Pathways – manufacturing & engineering skills inter- relational advancement opportunities.
- Provide simpler pathways from Grade 9 into the industry.
- Improve career guidance in the schools about the opportunities of technical and artisanal work in the steel industry.
- Adopt 3 TVET colleges in steel-industry intensive areas to pilot these efforts.

ANNEXURE G

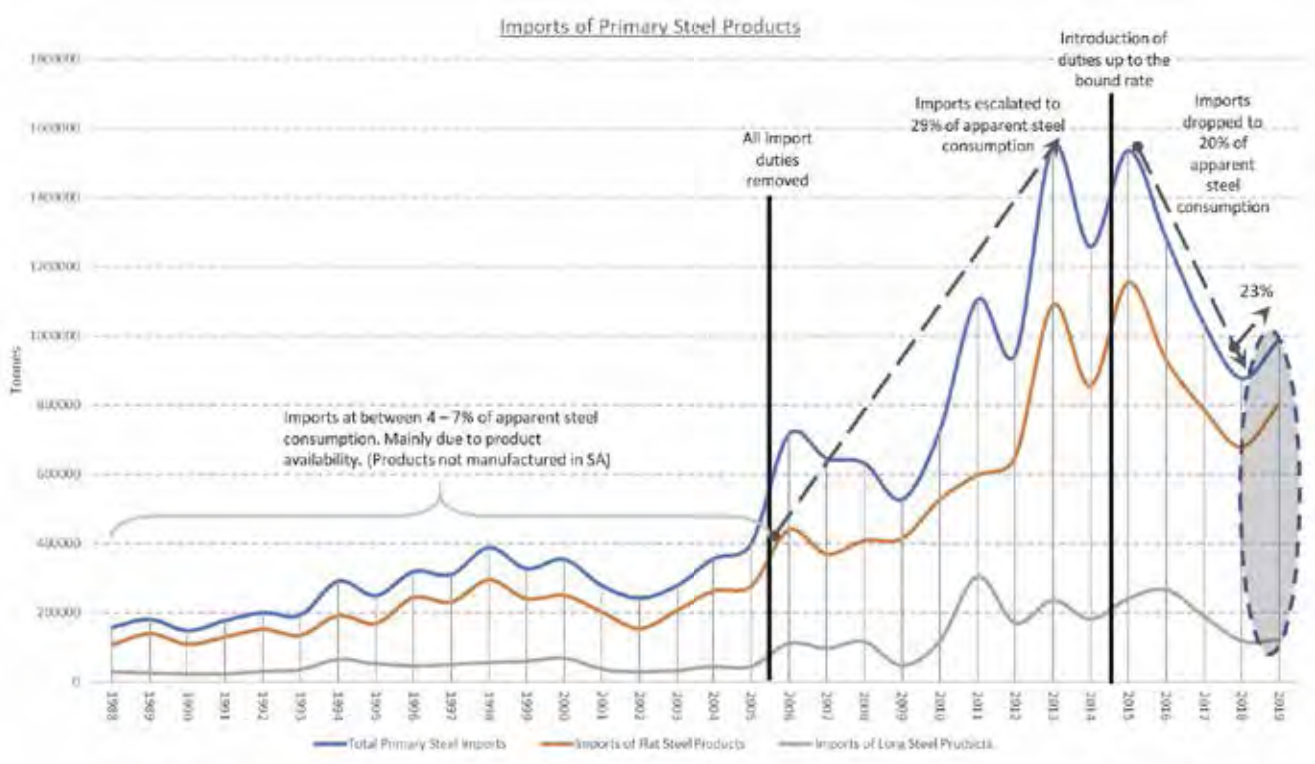
IMPORT REPLACEMENT

Information from SAISI

1. Opportunities exist for South African industry to replace imports along the steel value chain. This initiative must be driven by one or more senior champions.
2. Initial estimates are that about 200 000 tons (and possibly up to 500 000 tons) of imported final products could be replaced, generating about 800 direct jobs and adding about R7bn per year to GDP. Capacity and expertise exists for much of this. Much of the existing capacity was built with continuous growth in mind. The decrease in demand has led to over-capacity in many sectors.
3. These investments will be sustainable only if the industry can also export at scale into the rest of Africa.
4. Some level of protection will be required to assist the industry in the initial stages, but that should be granted only where there is a commitment by industry to increase their competitiveness, so as not to raise other costs in the economy significantly through import replacement.
5. The required commitments are set out below.
6. The industry associations in each sector (wire, fasteners, stainless steel etc.) are being requested to propose what industry will do to replace imports cost-effectively and what is required from government, labour and other stakeholders. They will consult with the full supply chain in each case, from the product down to the steel supplier.
7. They will be urged to make a preliminary report to the DTIC and the IDC within three months, setting out what is possible and what commitments are required from business, labour and government.
8. Detailed business cases can then be constructed by interested firms and associations.

What is the size of the domestic market that has been lost to imports (upstream and downstream)?

Upstream:



Apparent steel consumption (ASC) of primary steel products in 2019 was 4,3 million tonnes, of which 0.9 million tonnes (21%) were imported. The size of the domestic market lost to imports of primary steel products is 15% of ASC, considering that the non-available steel products would have been on average 6% of ASC. Illicit steel trade, trade via exempted countries and circumvention have resulted in an increase in imports in the wake of lower ASC in 2019. Apparent steel consumption is estimated at 3.3 million tonnes in 2020, of which about 0.7 million tonnes (+20%) will be imported notwithstanding the drag effect caused by COVID-19. Supply problems from AMSA are significantly impacting the local industry and compelling it to increase imports.

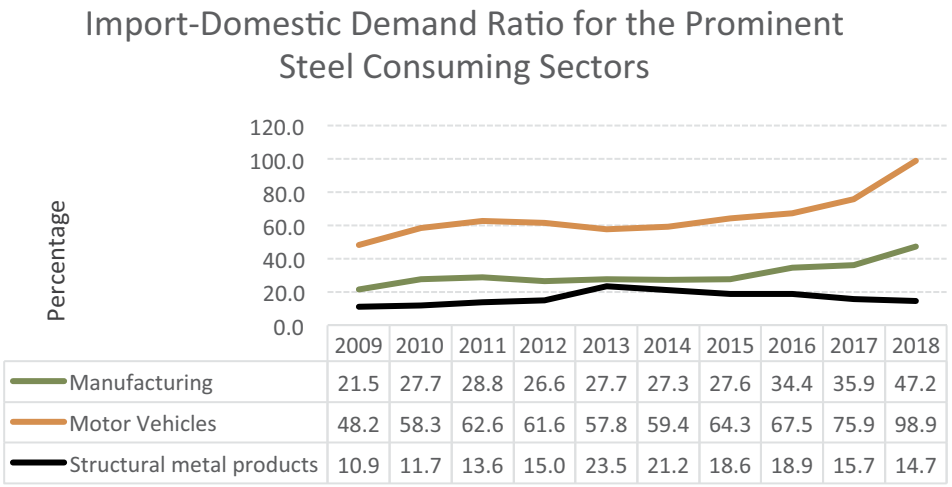
Downstream:

According to the US Comtrade and World Steel statistics, total imports of finished goods to South Africa amounts to 1.8 million tonnes of calculated steel content. This means that if South Africa could manufacture and supply all final steel containing products, an additional 1.8 million tonnes of primary steel would be consumed in the manufacturing process.

Table 1: Final Product import in calculated steel equivalent (tonne)

Commodity group	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Automotive	583 430	760 714	728 129	796 691	652 912	529 358	495 301	383 190	397 860	415 024
Domestic appliances	46 630	57 883	52 241	49 521	43 020	29 221	37 287	17 553	18 831	19 185
Electrical equipment	35 889	40 343	45 384	72 217	74 271	63 941	57 667	84 300	56 132	61 357
Mechanical machinery	468 170	667 180	693 438	687 374	572 744	455 973	441 415	672 173	723 266	716 788
Metal products	377 678	464 110	489 251	507 243	459 479	441 106	443 527	471 143	473 783	565 360
Other transport	30 024	51 225	50 525	56 428	51 824	101 491	47 168	75 717	44 097	38 939
Imports Total	1 5418 21	2 041 454	2 058 969	2 169 475	1 854 250	1 621 089	1 522 365	1 704 077	1 713 969	1 816 652

With the focus on construction, automotive and mining industry via manufacturing being the most important development areas for the growth of the steel and engineering industry, imports clearly have taken an increasing share of the market in the manufacturing and automotive sectors of the steel industry. Some of this is for steel grades not manufactured here. Although the importation of structural products seems to have tapered off, the relatively low import-demand ratio is rather a factor of the low activity level in the sector.



	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Manufacturing	21.5	27.7	28.8	26.6	27.7	27.3	27.6	34.4	35.9	47.2
Motor Vehicles	48.2	58.3	62.6	61.6	57.8	59.4	64.3	67.5	75.9	98.9
Structural metal products	10.9	11.7	13.6	15.0	23.5	21.2	18.6	18.9	15.7	14.7

Source: Quantec

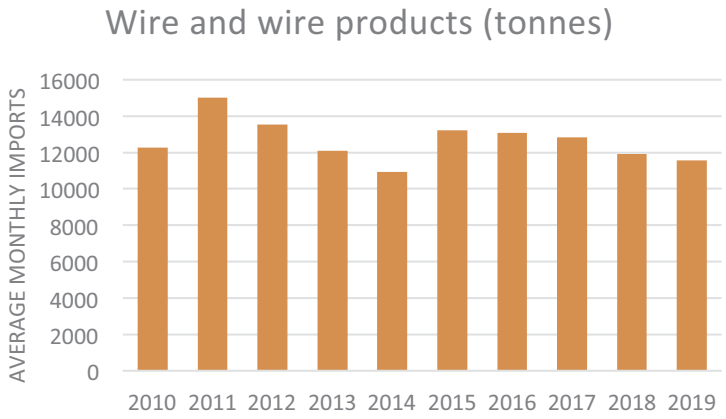
For the first-tier steel product manufacturing market, the following can be identified:

January to December 2019		Imports from all countries	
HS heading	PRODUCT	Tonnes	Value(R)
7217	Drawn wire - carbon steel	18 210	205 836 809
7223	Drawn wire - stainless steel	6 854	262 425 363
7229	Drawn wire - alloy steel	15 015	244 550 783
7301	Sheet piling	1 434	18 047 162
7301	Welded angles, shapes & sections	30	3 339 607
7302	Railway material	13 377	240 560 972
7303	Tubes & pipes - cast iron	4 197	49 316 391
7304	Tubes & pipes - seamless	38 442	916 610 304
7305	Tubes & pipes - welded large dia.	2 853	36 990 172
7306	Tubes & pipes - welded small dia.	45 904	1 020 136 851
7307	Tubes & pipes - fittings	32 739	1 515 844 221
7308	Structures, towers, scaffolding, bridges etc.	33 981	953 464 368
7309	Tanks & containers >300L	2 679	99 481 414
7310	Tanks, drums & cans <300L	8 066	350 275 357
7311	High pressure containers	19 303	743 350 510
7312	Wire rope & cables	30 736	929 889 488
7313	Drawn wire - barbed wire	1 122	4 769 514
7314	Cloth, grill, netting, expanded metal	7 927	227 579 991
7315	Chains & parts	8 305	534 435 489
7316	Anchors & grapnels	467	20 479 505
7317	Nails, tacks & staples	10 032	141 614 101

7318	Screws, bolts & nuts	51 609	2 559 748 073
7319	Needles & pins	454	55 217 254
7320	Springs	10 872	449 605 625
7322	Air heaters & parts	74	8 276 866
7323	Kitchen & household articles	23 884	839 448 923
7324	Sanitary ware	2 256	168 520 453
7325	Cast iron products	36 842	666 884 722
7326	Articles of wire, forged products & other articles	44 765	2 015 894 963
	Total	**472 431**	**15 282 595 251**

Source: SA Customs & Excise

1. On the manufacturing side, imports of final products impacted the following industries:
   a) Wire Industry



Of the total imported wire products, the products mostly imported are:

Drawn wire - carbon steel	13%
Wire rope & cables	22%
Springs	9%
Articles of wire, forged products & other articles	33%
Drawn wire - alloy steel	11%

HS Code	Description	2019 Volume imported	Rand Value of imports	Value of total input steel procurement
Wire products mainly fencing and drawn wire				
7217	Drawn wire - carbon steel	18210	R205 836 809	R145 681 658
7223	Drawn wire - stainless steel	6854	R262 425 363	R150 785 938
7229	Drawn wire - alloy steel	15015	R244 550 783	R180 185 071

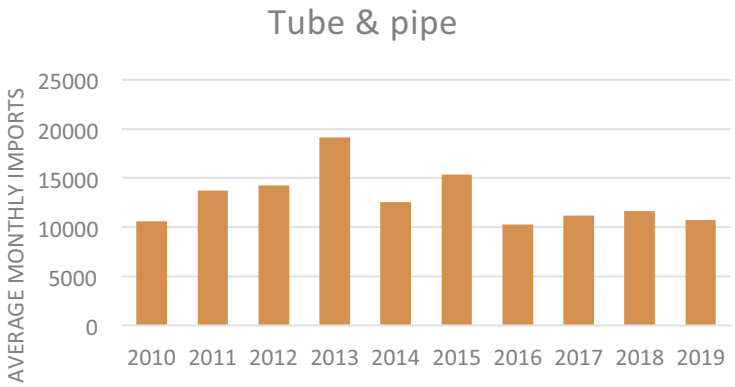
7312	Wire rope & cables	30736	R929 889 488	R368 832 705
7313	Drawn wire - barbed wire	1122	R4 769 514	R8 979 245
				R854 464 615

Wire industry leaders

Company Name	Location
Cape Gate	Gauteng
Consolidated Wire Industries (CWI)	Gauteng
Allens Meshco	Cape Town
Barnes	Mpumalanga
Wire Supplies	Gauteng
Hendok	Durban
Scaw Metals	Gauteng

Source: SAWA

b) Pipe and Tube



Of the total imported Pipe and Tube products, small diameter, fittings, and seamless pipe are mostly imported

Tubes & pipes - welded small dia.	37%
Tubes & pipes - fittings	28%
Tubes & pipes - cast iron	3%
Tubes & pipes - seamless	31%
Tubes & pipes - welded large dia.	2%

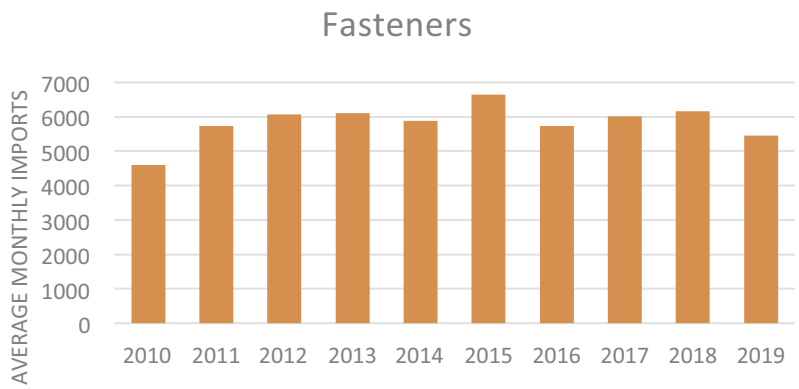
HS Code	Description	2019 Volume imported	Rand Value of imports	Value of total input steel procurement
Steel tubes, pipes piping & fittings				
7304	Tubes & pipes - seamless	38442	R916 610 304	R691 964 318
7305	Tubes & pipes - welded large dia.	2853	R36 990 172	R28 529 503
7306	Tubes & pipes - welded small dia.	45904	R1 020 136 851	R459 039 226

7307	Tubes & pipes - fittings	32739	R1 515 844 221	R327 385 169
7308	Structures, towers, scaffolding, bridges etc.	33981	R953 464 368	R322 817 687
				R1 829 735 903

Pipe & Tube leaders

Company	Location
Hall Longmore	Gauteng
Africa Steel & Tube	Gauteng
Tubecon	Gauteng
Bosal	Gauteng
Macsteel tube and pipe	Gauteng
Proroof steel and tube	Gauteng
Sterling tube	Gauteng

c) Fasteners



For fasteners, screws, bolts, and nuts comprise 85% of the total imports

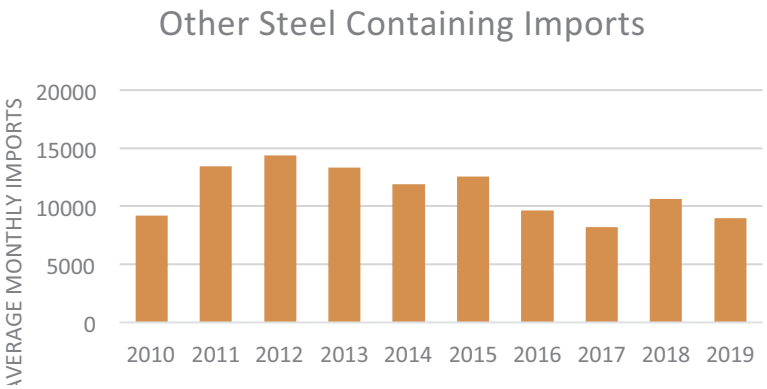
Nails, tacks & staples	15%
Screws, bolts & nuts	85%

HS Code	Description	2019 Volume imported	Rand Value of imports	Value of total input steel procurement
Fasteners (nuts, bolts, screws)				
7316	Anchors & grapnels	467	R20 479 505	R4 668 373
7317	Nails, tacks & staples	10032	R141 614 101	R100 317 560
7318	Screws, bolts & nuts	51609	R2 559 748 073	R516 087 829
				R621 073 763

Fasteners leaders

Company	Location
CBC	Gauteng
Transvaal Pressed Nuts	KZN
Impala Bolt & Nut	Gauteng
SA Bolt	Gauteng
T I Chalmers	Gauteng
Telscrew	Gauteng
Avlock	Gauteng
Ebenaeser	Gauteng

d) Other Steel Containing Products



Of all the other steel-containing imports, the three listed below are those that are mostly imported

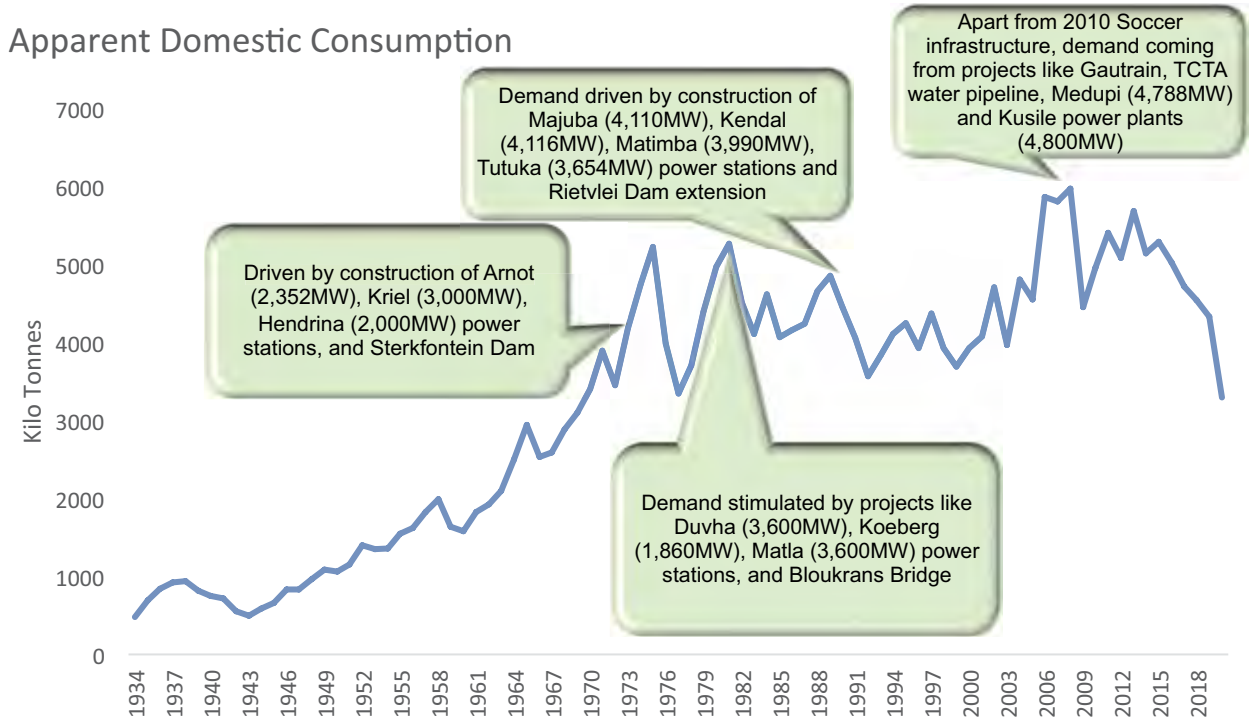
High pressure containers	15%
Kitchen & household articles	22%
Cast iron products	37%

HS Code	Description	2019 Volume imported	Rand Value of imports	Value of total input steel procurement if local
Corrugated steel sheets (none of the imported corrugated sheet came in with the correct thickness and width)				
7210	Corrugated sheet	14811	R41 350 811	R177 734 428

Corrugated steel sheet manufacturers leaders

Company	Location
CBCGlobal Roofing Systems	Gauteng
Safintra	Gauteng
Mac Roofing	Gauteng
Proroof	Gauteng

Newcastle Steel	KZN
Heunis	Gauteng
SS Profile	NW
Hendock	KZN
Roofco	KZN
Corr-Line	Gauteng
Algoa Steel	EC
Youngmans	WC
Tudor Roofsheeting	Gauteng
Gold Step Trading	FS
BSI	Gauteng/KZN
KK Roofsheeting	Gauteng
Clotan	Gauteng
Trident Roofing	WC



Primary steel product imports

Tariff heading	Product	2019		
		Imported Tonnes	Imported value	
Carbon steel products				**Estimated Value of total primary steel sales**
7206-7207	Ingots, billets, blooms & other	5 134	R38 931 154	

7207	Slabs	29	R213 444	
7208	Plates in lengths>=4.75mm	21 347	R268 022 551	R192 124 758
7208	Plates in coils>=4.75mm	31 775	R257 104 873	R285 975 646
7208	Hot-rolled coil & sheet<4.75mm	52 841	R442 829 739	R422 730 901
7209	Cold-rolled coil & sheet	40 036	R366 883 026	R386 343 531
7210	Electro-galvanized sheet	10 419	R115 175 864	R104 188 158
7210	Hot-dipped galvanised sheet	105 724	R1 300 949 656	R1 110 103 902
7210	Painted/varnished/plastic coated	49 266	R744 051 983	R640 458 607
7210	Tinned sheet	103 711	R1 464 567 390	R1 244 531 989
7210	TFS, Aluzinc and other coated sheet	48 863	R637 771 840	R513 056 687
7210	Corrugated sheet	14 811	R41 350 811	R207 356 833
7211	Hot-rolled strip & universal plate	1 616	R19 878 888	R14 540 786
7211	Cold-rolled strip	4 903	R66 889 877	R47 312 755
7212	Coated strip	12 719	R254 221 635	R152 622 771
7213	Wire rod	143	R2 808 775	R1 143 430
7213/14	Reinforcing bar (coil & length)	3 651	R25 714 868	R27 382 020
7214	Other bars & rods	7 841	R111 763 228	R66 644 976
7214	Forged bars	3 918	R31 827 409	R43 094 928
7215/6	Cold formed bars/sections	9 263	R133 796 158	R101 892 447
7216	Angles, sections, shapes	35 648	R331 794 990	R303 007 267
7217	Wire	19 333	R210 606 323	R309 321 805
Subtotal flat products		**498 059**	**R5 979 911 577**	R6 173 834 202
Subtotal long products		**84 930**	**R887 242 905**	R852 486 875
Subtotal all carbon steel products		**582 989**	**R6 867 154 482**	R7 026 321 077
Stainless steel products				
7218	Ingots, billets, blooms, slabs	5	R1 156 318	
7219	Plates in lengths>=4.75mm	6 995	R288 133 789	
7219	Hot-rolled sheets	2 003	R69 610 874	
7219	Cold-rolled sheets	13 204	R438 432 655	
7220	Hot/Cold-rolled strip	3 383	R212 334 449	
7221&7222	Sections, Bars and Rods	9 156	R399 019 288	
7223	Wire	5 853	R262 425 363	
Subtotal all stainless products		**40 599**	**R1 671 112 736**	R1 672 668 104
Alloy steel products				
7224	Ingots, blooms, billets, slabs	6 105	R89 733 390	
7225	Plates and hot & cold-rolled sheets	101 190	R1 565 779 828	
7225	Coated sheets	170 559	R2 111 995 286	
7226	Hot/Cold rolled strip	5 421	R138 289 259	
7227&7228	Sections, Bars and Rods	51 436	R707 745 012	

7229	Wire	16 016	R244 550 783	
Subtotal all alloy steel products		**350 726**	**R4 858 093 558**	R5 331 030 265
Other products				
7301	Sheet piling, welded angles etc.	1 464	R21 386 769	
7302	Rails	13 377	R240 560 972	R247 471 806
Subtotal sheet piling, rails, welded angles etc.		**14 841**	**R261 947 741**	
7206-7302	**Total primary steel products**	**989 154**	**R13 658 308 517**	**R14 277 491 252**

Source: Customs & Excise

Opportunities exist for import replacement in whole or in part. The conditions under which each will be possible are discussed below. The following products and sectors seem to us the most promising. They are divided into two:

1. Products and sectors where capacity and capability exist in SA and the capacity is under-utilized or can be expanded (requiring investment).
2. Products and sectors where SA has no capacity and / or expertise, or the capacity has been mothballed or scrapped but expertise still exists.

The tables set out for each product or sector what is required to place South African producers in a position to replace all or most of the imports.

Industry	**Products manufactured**	**Potential Import Volumes Substituted by Local Production**	**Additional Capacity needed**	**Other Requirements**
Wire Industry	Drawn Wire - Carbon steel	18 000 tpa Imports	None	Adequate raw material supply from Scaw/ Cape Gate and AMSA Imports could purely be a price issue.
	Wire Rope and Cables	31 000 tpa Imports	None	Adequate raw material supply from AMSA. Procurement targets in the mining charter could encourage local procurement
Pipe & Tube	Tubes & pipes - welded small dia.	47 000 tpa Imports	None	Adequate raw material supply and capacity. Competitiveness on the lower end of the product

				specification could be addressed with compulsory standards
	Tubes & pipes – fittings	35 000 tpa Imports	None	Pipe and tube fittings are imported with the pipe systems. Competitiveness of the industry must be further investigated
Fasteners	Screws, bolts & nuts	55 000 tpa Imports	Technology upgrade R100 – R150 million investment by industry for galvanising and quality assurance.	Commitment from the Auto Industry to buy local (SA supplies only 5% of production to the Auto Industry, while more than 70% of fastener production goes to auto industry internationally). More opportunity in the fasteners for the roofing and cladding industry with R100m imports annually.
Other manufacturing	High Pressure Containers	16 000 tpa with more local market potential	A new gas cylinder plant opened in Coega (MM Engineering) IDC Investment +R200m completed. Installed capacity of 250 000 units per year. (approx. 3000 tpa)	Current negotiations in progress to supply input material from AMSA. Cadac could re-open a facility in South Africa with good brand potential. R200m investment needed to convert 3000 tpa. There is good potential for an industry to emerge in container-gas filling stations that will create the demand for gas cylinders through the employment of SMMEs. Standards need to be developed in this area.

Note: 40kt/a of articles of wire, forged products & other articles are being imported and need to be further investigated.

Industry	Products manufactured	Potential Import Volumes Substituted by Local Production	Additional Capacity needed	Other Requirements
Construction	Building and Construction	Projects to be expedited		The market players believe that once projects are initiated the capacity will return
Tube & pipe	Seamless Tube	40 000tpa	Yes, especially on the larger diameter	Capital investment of R500m needed
	Large diameter pipe	Project driven	African steel Pipe Industries and Group 5 Pipe have been mothballed	
Other manufacturing	Cast Iron Products	42 000tpa	Investment in new technology needed to be competitive.	Potential in the Auto and mining industries could benefit this industry.
	Kitchen and household articles of stainless steel	???	Capacity to expand production of hollow ware and other utensils is needed	Designation of stainless-steel holloware and utensils to governmental facilities such as prisons, hospitals, schools, etc. will stimulate demand for

				Columbus's product range. Agreement with retailers to sell South African holloware.
Automotive	Wheel Rim	??	SA manufactures only trolley, caravan, and truck trailer wheel rims. All car wheel rims are imported	Global wheel is the only substantial manufacturer of wheel rims in SA.
	Exhaust Systems	Bosal SA manufactured exhaust systems for the after-market	The plant is mothballed	Automotive localisation programme could revive this facility.

There are already proposals for investments and new capacity which would replace imports:

1. LPG cylinders. Estimated value of imports replaced R 200m per year
2. Fastener Industry – Galvanised self-drilling roofing and cladding screws to replace approximately R100m imports per year.
3. Drawn Wire – Wire Supplies. Investment in welding wire technology for AFROX to replace approximately 10 000 tonnes of imports per year.
4. Transnet Rail Manufacturing JV in negotiation phase for a potential investment to replace a R6.2bn import contract.

Import replacement initiatives must be sustainable. That is, with a few exceptions they cannot be based on indefinite protection or subsidies and must have a plan to become self-supporting in the medium term. This must include proposals on continued modernization and productivity improvements, so that they remain competitive internationally.

Summary

The import replacement of the 200 000 tonnes of final products will generate approximately 800 new direct jobs (multiplier of 4 jobs per 1000 tonnes sold into the manufacturing sector) and generate a positive turnover of R7bn per annum.

The following commitments are required from the private sector.

- Implement the best technology to achieve competitiveness and expand production.

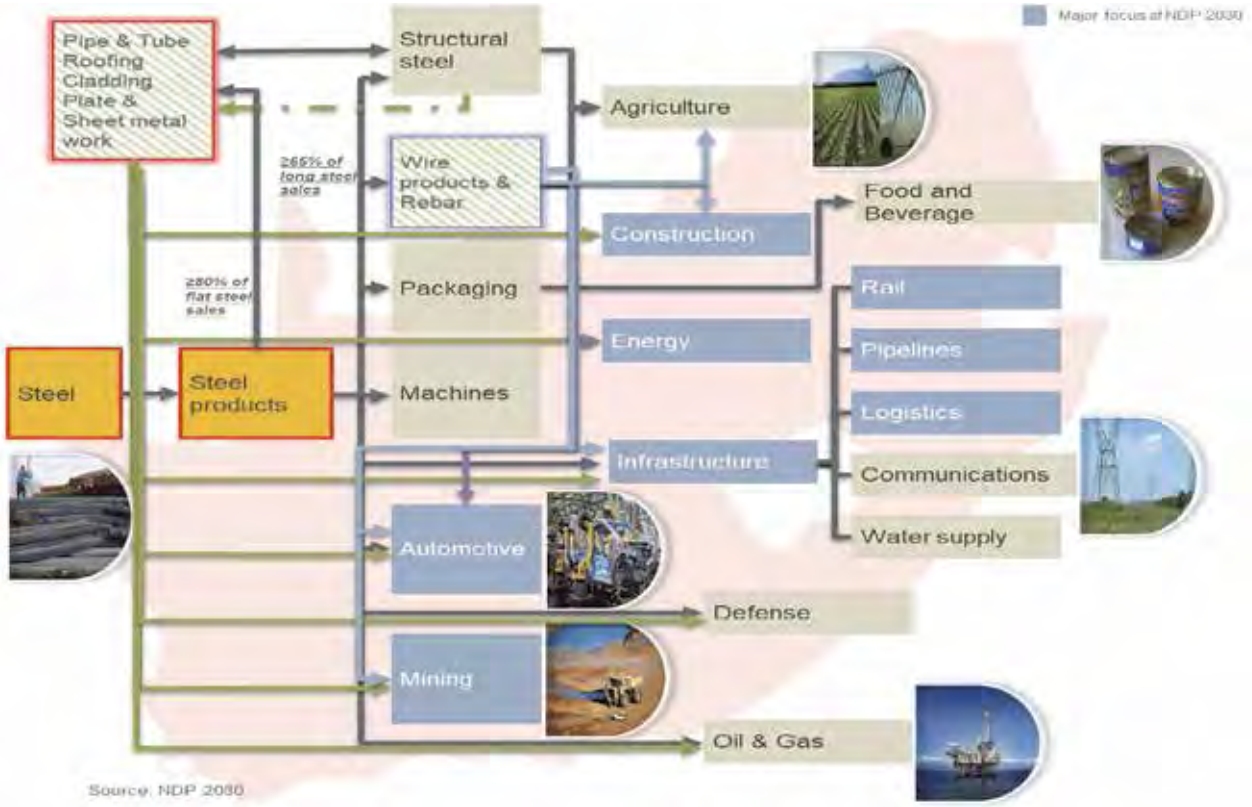
- Attain competitiveness levels comparable to that of leading international competitors, including cost, quality, delivery reliability and operational flexibility, process and product innovation and the development of skills capable of absorbing new industry technologies.
- Break the present growth inertia: Growth will make space for significantly improved industry competitiveness through improved scale economies, the realisation of external economic benefits, and the productivity and broader competitiveness benefits associated with increased product and production specialisation, improving quality and reliability standards.
- Industries need to contribute to the transformation of the domestic economy through employment of Black South Africans, enterprise development, and the deepening of skills and technology advances.

The following commitments are required from labour.

- Productivity levels which compare to that of the global best practice, lowering the cost of production and improving the overall prospects of growth in the industry focusing on the broader industrialisation goals while simultaneously benefiting from the capabilities developed within the domestic economy.

The following commitments are required from government.

- The development of a regional market lies at the heart of the growth conundrum. The opening of the AfCFTA offers huge potential and government could assist with the removal of non-trade barriers in the region.
- The protection of the local market not only depends on the effectiveness of trade remedies, but also the assurance of quality products to the domestic consumer (i.e. preventing sub-standard products entering the country).
- Creating the enablers of growth in the steel industry, announcing the infrastructure development projects and ensuring that the projects have a South African champion.
- Creating a pipeline of infrastructure projects which are efficiently managed and quickly executed.


Major focus of NDP 2030
Pipe & Tube
Roofing
Cladding
Plate &
Sheet metal
work
Structural
steel
Wire
products &
Rebar
Packaging
Steel
products
Machines
Steel
Automotive
Mining
Agriculture
Construction
Energy
Infrastructure
Food and
Beverage
Rail
Pipelines
Logistics
Communications
Water supply
Defense
Oil & Gas
Source: NDP 2030

ANNEXURE H

EXPORTS

The main exports are shown below.

Exports Articles of iron or steel Source: SA Customs & Excise Jan to July 2020			Exports to all countries
HS heading	PRODUCT	Tonnes	Value(R)
7308	Structures, towers, scaffolding, bridges etc.	57 565	1 853 053 699
7326	Articles of wire, forged products & other articles	48 058	1 498 372 482
7318	Screws, bolts & nuts	13 178	651 769 250
7314	Cloth, grill, netting, expanded metal	24 270	591 685 065
7307	Tubes & pipes - fittings	12 417	513 150 735
7217	Drawn wire - carbon steel	36 907	470 731 800
7304	Tubes & pipes - seamless	20 025	381 716 203
7306	Tubes & pipes - welded small dia.	19 949	377 972 049
7312	Wire rope & cables	10 658	271 759 243
7325	Cast iron products	10 458	208 044 946
7310	Tanks, drums & cans <300L	7 527	178 405 482
7315	Chains & parts	2 907	147 734 811
7309	Tanks & containers >300L	3 629	144 893 030
7323	Kitchen & household articles	2 100	123 635 897
7313	Drawn wire - barbed wire	3 542	121 443 779
7324	Sanitary ware	898	84 716 916
7302	Railway material	1 569	73 279 686
7320	Springs	1 014	68 086 847
7317	Nails, tacks & staples	1 871	35 596 764
7311	High pressure containers	1 774	27 676 568
7301	Sheet piling	900	20 624 499

	Tubes & pipes - welded large		18 859
7305	dia.	651	867
			14 398
7223	Drawn wire - stainless steel	508	367
	Welded angles, shapes &		13 055
7301	sections	566	387
			12 674
7303	Tubes & pipes - cast iron	769	310
			10 029
7229	Drawn wire - alloy steel	587	362
			9 090
7316	Anchors & grapnels	140	228
			6 009
7319	Needles & pins	22	542
			3 311
7322	Air heaters & parts	37	809
		284	**7 931 778**
	Total	**495**	**623**

SARS reports South Africa's trade statistics, both on exports and imports, as Free-on-Board (FOB).

Exports
Articles of iron or steel
Source: SA Customs & Excise

January to December 2019 — **Exports to all countries**

HS heading	PRODUCT	Tonnes	Value(R)
	Structures, towers, scaffolding,	135	4 364 463
7308	bridges etc.	782	471
		126	1 213 754
7304	Tubes & pipes - seamless	429	183
	Articles of wire, forged products	110	3 877 584
7326	& other articles	202	957
		94	439 281
7301	Sheet piling	663	355
		90	1 300 967
7217	Drawn wire - carbon steel	683	937
	Tubes & pipes - welded small	61	1 062 748
7306	dia.	221	952
	Cloth, grill, netting, expanded	53	963 222
7314	metal	909	720
		26	1 229 012
7318	Screws, bolts & nuts	286	995
		22	553 019
7312	Wire rope & cables	818	848
	Tubes & pipes - welded large	20	511 542
7305	dia.	930	343
		19	390 918
7310	Tanks, drums & cans <300L	303	559
		14	314 187
7325	Cast iron products	730	026
		14	993 540
7307	Tubes & pipes - fittings	723	546
			378 864
7309	Tanks & containers >300L	9 928	398
7323	Kitchen & household articles	6 572	337 245

			091
			312 519
7315	Chains & parts	6 267	351
			16 900
7223	Drawn wire - stainless steel	5 280	822
			113 358
7313	Drawn wire - barbed wire	5 257	564
			94 254
7317	Nails, tacks & staples	5 195	379
			65 485
7303	Tubes & pipes - cast iron	4 319	454
			113 570
7311	High pressure containers	3 250	718
			104 028
7302	Railway material	2 859	785
			119 941
7320	Springs	2 191	587
			149 493
7324	Sanitary ware	1 557	601
	Welded angles, shapes &		29 770
7301	sections	1 282	261
			23 015
7229	Drawn wire - alloy steel	1 159	674
			22 831
7316	Anchors & grapnels	588	237
			18 071
7322	Air heaters & parts	177	323
			7 492
7319	Needles & pins	81	326
		847	**19 121**
	Total	**639**	**088 463**

SARS reports South Africa's trade statistics, both on exports and imports, as Free-on-Board (FOB).

Exports

Articles of iron or steel

Source: SA Customs & Excise

January - December 2018 **Exports to all countries**

HS heading	PRODUCT	Tonnes	Value(R)
		182	1 666 280
7304	Tubes & pipes - seamless	823	832
	Structures, towers, scaffolding,	153	4 921 952
7308	bridges etc.	351	225
		143	602 425
7301	Sheet piling	032	174
	Articles of wire, forged products	115	3 355 967
7326	& other articles	929	400
	Tubes & pipes - welded small	77	1 354 468
7306	dia.	971	236
		68	830 557
7217	Drawn wire - carbon steel	365	244
	Cloth, grill, netting, expanded	49	906 346
7314	metal	350	295
		26	639 121
7312	Wire rope & cables	023	546

			24	1 108 844
	7318	Screws, bolts & nuts	625	582
			23	443 337
	7310	Tanks, drums & cans <300L	635	190
			20	1 148 231
	7307	Tubes & pipes - fittings	853	263
			19	381 427
	7325	Cast iron products	322	811
		Tubes & pipes - welded large		151 181
	7305	dia.	9 354	373
				157 228
	7313	Drawn wire - barbed wire	8 469	424
				338 885
	7309	Tanks & containers >300L	8 191	234
				290 020
	7315	Chains & parts	5 958	126
				292 400
	7323	Kitchen & household articles	5 627	621
				59 577
	7303	Tubes & pipes - cast iron	4 555	997
				101 777
	7311	High pressure containers	4 252	386
				87 074
	7317	Nails, tacks & staples	3 658	796
				111 119
	7320	Springs	2 989	453
				81 305
	7302	Railway material	2 515	615
				30 727
	7229	Drawn wire - alloy steel	1 896	345
				152 068
	7324	Sanitary ware	1 854	649
		Welded angles, shapes &		36 405
	7301	sections	1 740	386
				37 445
	7316	Anchors & grapnels	1 265	875
				21 775
	7223	Drawn wire - stainless steel	1 202	939
				10 050
	7322	Air heaters & parts	104	799
				11 061
	7319	Needles & pins	97	259
			969	**19 329**
		Total	**008**	**066 075**

(Information supplied by SAISI from SARS data)

ANNEXURE I

STRENGTHS AND OPPORTUNITIES OF THE SA STEEL INDUSTRY

STRENGTHS	CHALLENGES
1. Local know-how 2. Availiability of infrastructure 3. Availability of scrap metal and iron ore 4. Potential to export 5. Local and African demand, with new African Continental Free Trade Area 6. Designated product status for all government and parastatal projects 7. Government support to more regular modernisation for efficiencies 8. Automotive industry localisation drive and incentives 9. Increasing level of public and private sector investment to support Presidential Investment Drive	1. Our integrated Steel plants are old and inefficient 2. High elecitrical cosrts, and unstable electricity supply 3. High transport costs 4. Export of scrap 5. Lack of export promotion

NEEDED TO SUCCEED
1. Increased competitiveness (global cost and pricing) 2. New, more efficient, quality integrated steel plants (energy, logistics) 3. New, highly efficient, quality mini mills 4. Import replacement 5. High steel grades for automotive industry, etc 6. High aluminium grades for automotive industry 7. Export promotion 8. More, regular refurbishment and technology upgrade programmes

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the dtic Campus
77 Meintjies Street
Sunnyside
Pretoria
0002

the dtic
Private Bag X84
Pretoria
0001

the dtic Customer Contact Centre: 0861 843 384
Website: www.thedtic.gov.za

the dtic
Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

towards full-scale industrialisation and inclusive growth
the dtic Customer Contact Centre: 0861 843 384
Website: www.thedtic.gov.za