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ArcelorMittal

**Presentation To The Parliamentary Portfolio
Committee On Trade And Industry On The DTI's
Industrial Policy Action Plan (IPAP 2)**

**Presented By:
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13 August 2010

Discussion points

Following on to the discussion points from the 17 March 2010 meeting, we would like to present our proposals to contribute to job and wealth creation also that of the elevation of the technology base.

- ✓ Component manufacturing for the Automotive industry in South Africa
- ✓ Research and development for the replacement of the Transnet rolling stock.
- ✓ Support for the growth and development of our forge and foundry business to support manufacturing and mining in South Africa
- ✓ Introduction of a world class research and development unit to enhance technology in the steel environment to the benefit of the downstream steel manufacturing base

Component manufacturing for the Automotive industry in South Africa



- ✓ The South African automotive industry is covering quite an extensive variety of car makers (Ford, General Motors, Volkswagen, Daimler Benz, Nissan/Renault and BMW)
- ✓ Component manufacturing in South Africa has suffered enormously from the rationalisation drive originating from the global automotive industry, resulting mostly in closure. This is the opposite of the localisation drive the government intended with the support programmes for the industry
- ✓ ArcelorMittal has partnered with two European component manufacturers, Magnetto and Gestamp of which, currently Magnetto merged with the South African Guestro Wheels and August Leale body part manufacturer (Previously belonging to Dorbijl).
- ✓ Through this partnership arrangement we are not only bringing technology advantages to the industry but also efficiencies. This will contribute to the competitiveness of the industry and the localisation goal. Further development opportunities are currently being investigated.
- ✓ Our support with regards to the Value Added Export drive and the Import replacement initiative remain in place for the industry as a whole



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Research and development for the replacement of the Transnet rolling stock.



- ✓ In the current Transnet plan it is anticipated to replace and re-condition 6800 rolling stock units in the near distant future.
- ✓ Through the application of advanced steel technologies it is possible to improve on the durability and mass specification for these units. Discussions regarding this type of assistance to Transnet is already underway with the development of high strength steel for the wagons.
- ✓ Further support from our R&D units is offered to improve on the design parameters which will not only result in cost saving for the project, but also extend the life expectancy of the wagons. This will be a local developed steel application that could result in a best practice for export to neighbouring countries.



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Support required for growth and development in the South African Foundry- and Forging industries



- ✓ AMSA has the largest ferrous jobbing foundry in South Africa, both in terms of tonnage capacity as well as size range capability. The biggest market for this foundry is the mining industry.
- ✓ AMSA has the largest primary forging facility in South Africa, both in terms of tonnage capacity as well as size range capability.
- ✓ AMSA is also the largest supplier of input material to the forging industry in South Africa, both of unprocessed product (ingots and blooms) as well as semi-processed product (semi-forged and billets).

Support required for growth and development in the South African Foundry and Forging industries



- ✓ Various research studies over the past number of years have identified a critical need for technical skills in both the metal casting- as well as forging industries.
- ✓ The industry would require government support in various short- and long term initiatives aiming to bridge the skills gap e.g:
 - Establishing a career path framework for the foundry- and forging industries.
 - Learnership programmes.
 - Short-course programmes.
- ✓ Place more focus on driving local content procurement initiatives, which will increase capacity utilization in the industry, facilitate job creation, increase efficiency and ultimately lead to more competitive pricing to support the wider manufacturing- as well as mining industries.

Support required for growth and development in the South African Foundry and Forging industries



- ✓ Attaining the correct level of skills, as well as economies of scale in the industries are imperative for growth.
- ✓ Both industries are to a large extent fragmented.
- ✓ Very little incentive exists for local content procurement.
- ✓ Constant increases in labour cost above ruling inflation, as well as recent exceptional increases in electricity costs, combined with volatility in the market for raw materials (scrap and pig iron), has decreased competitiveness of these industries even further.
- ✓ In some instances, imported competition (notably from China) enjoys an advantage of various government subsidies to their manufacturing sector.
- ✓ Attraction of increased levels of FDI in the mining, machinery and equipment, rail and automotive industries in SA is imperative for the longer term sustainability of the foundry- and forging industries.



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ArcelorMittal

Introduction Of World Class Research And Development Unit In South Africa

ArcelorMittal's
R&D Centres





Introduction Of World Class Research And Development Unit In South Africa

Research dedicated to markets and products

ArcelorMittal's R&D is highly business-oriented, ensuring a shorter time-to-market and improved competitiveness.

- Automotive
- Packaging
- Construction
- General industry
- Long products
- Stainless steels
- Special plates



Introduction Of World Class Research And Development Unit In South Africa (cont.)

Research dedicated to process

Process R&D is indispensable for the implementation of new steel products and solutions but also to meet the following objectives:

- *cost reduction through improved productivity and reliability in our production processes;*
- *improved environmental performance through reduced emissions; increased product and by-product recycling; energy saving; flexibility in the use of raw materials and energy resources; and the systematic study of the impact of our products and processes on the environment through Life Cycle Assessment (LCA).*
- Upstream process: from raw material selection to hot rolling operations
- Downstream process: from cold rolling to coating and finishing operations



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✓ **Conclusion**

Conclusion



In conclusion, the primary steel industry and in particular ArcelorMittal South Africa is ready to join hands with government to build our economy to achieve a better life for us all.

- ✓ In contributing to the Industrial Programme Action Plan (IPAP) confidence in the industry will be created and should support further investment in industry productive capacity, particularly in the component manufacturing sector.
- ✓ Our proposal focuses on opportunities in capital goods, transport equipment and metal fabrication, which will boost steel demand in the local market and contribute to the three primary goals of job creation, localisation and competitiveness of the South African steel manufacturing industries.