

# STEEL AND METAL FABRICATION MASTER PLAN PROGRESS ON IMPLEMENTATION

Steel Oversight Council

Thursday, 25 November 2021



the dtic

Department  
Trade, Industry and Competition  
REPUBLIC OF SOUTH AFRICA

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# Recap on the Master Plan

An Steel Oversight Council was convened on 9 February & 15 March 2021, where the Master Plan and Implementation Plan were approved

**SOC**

Six focus areas for implementation identified with working groups (industry, labour and government) established

The central focus of the implementation plan is to enhance the demand side to balance the available supply, retain and grow job opportunities while driving broad based transformation across the value chain



**MP Plan 1.0**

**02**

**11 June 2021**

**04**

**05**

**06**

**07**

**6 focus areas**

**The central focus**

**73 deliverables**

**6-36 month timelines**

Steel & Metal Fabrication Master Plan 1.0 drafted after consolidating the comments, engagements and feedback received from the industry and stakeholders in organised labour and government

Official signing by labour, government and industry on 11 June 2021

The Working Groups have identified priorities with teams set up to work on the 73 deliverables

# MASTER PLAN OBJECTIVES

- This Steel and Metal Fabrication Master Plan is a social compact to guide the stabilisation, progress, and innovation of the value chain
- Key focus on continuous improvement and collaboration between Industry, Government and Organised Labour in order to maintain the sustainability of the Steel and Metal Fabrication Industry
- 73 implementation actions guide the Implementation Plan which actioned into Key Focus Areas
  - Supply-side; Demand-side; AfCFTA/Export Markets; Resource Mobilisation; Transformation; and HR development
- Turnaround action-oriented plan based on identified competitiveness improvements in the firms, measures to reduce levels of imports and reposition the industry to be resilient in the intense global pressures
  - Social compact to stabilise and grow the steel and steel products industry
  - Enable increased competitiveness and productivity, including especially training and mentoring to increase professionalism, expertise and know-how
  - Increase demand
  - Stop leakages due to illicit trade and circumvention of designated products
  - Retain and increase decent jobs
  - Transformation of the industry
  - Ensure the industry and workers are prepared for the 4IR and green economy



# MASTER PLAN FOCUS AREAS

## Projects being implemented

SUPPLY-SIDE	DEMAND-SIDE	AFCFTA/ EXPORT MKT	TRANSFORMATION	RESOURCE MOBILISATION	HR
<p>Input costs reductions in the value chain</p> <ul style="list-style-type: none"><li>• Administered prices (electricity, rail, port tariffs)</li><li>• Raw material</li><li>• Labour and productivity</li><li>• Steel pricing across the value chain</li></ul> <p>Overcapacity</p> <ul style="list-style-type: none"><li>• Improve steel supply matching demand</li><li>• Improve competitiveness</li><li>• Product standards</li><li>• R&amp;D/Innovation</li></ul>	<ul style="list-style-type: none"><li>• Infrastructure Program</li></ul> <p>Import replacement</p> <ul style="list-style-type: none"><li>• Designations</li><li>• Trade administration</li><li>• Trade Policy</li><li>• SOE's procurement</li><li>• Buy Local</li></ul> <ul style="list-style-type: none"><li>• Exports</li></ul> <ul style="list-style-type: none"><li>• New product value chains</li></ul> <ul style="list-style-type: none"><li>• Mining digitisation</li></ul>	<ul style="list-style-type: none"><li>• Export readiness roadmap</li></ul> <ul style="list-style-type: none"><li>• SA/ SACU tariff offers and acceptances to be made against clear Rules of Origin</li></ul> <ul style="list-style-type: none"><li>• Import Analysis for localisation opportunities</li></ul> <ul style="list-style-type: none"><li>• Strategic use of the trade remedies.</li></ul>	<ul style="list-style-type: none"><li>• Analysis of transformation levels</li><li>• Determine status quo in the industry and develop support options</li></ul> <ul style="list-style-type: none"><li>• Worker empowerment</li></ul> <ul style="list-style-type: none"><li>• BBBEE Level Targets and skills transfer to SMME's</li></ul>	<ul style="list-style-type: none"><li>• Incentives</li></ul> <ul style="list-style-type: none"><li>• Greening the steel industry</li></ul> <ul style="list-style-type: none"><li>• Steel Industry Development Fund</li></ul> <ul style="list-style-type: none"><li>• Investment support and facilitation</li></ul>	<ul style="list-style-type: none"><li>• Improve industrial relations in the sector</li></ul> <ul style="list-style-type: none"><li>• Optimise training and skills development</li></ul> <ul style="list-style-type: none"><li>• Improve development of HDSA's</li></ul>

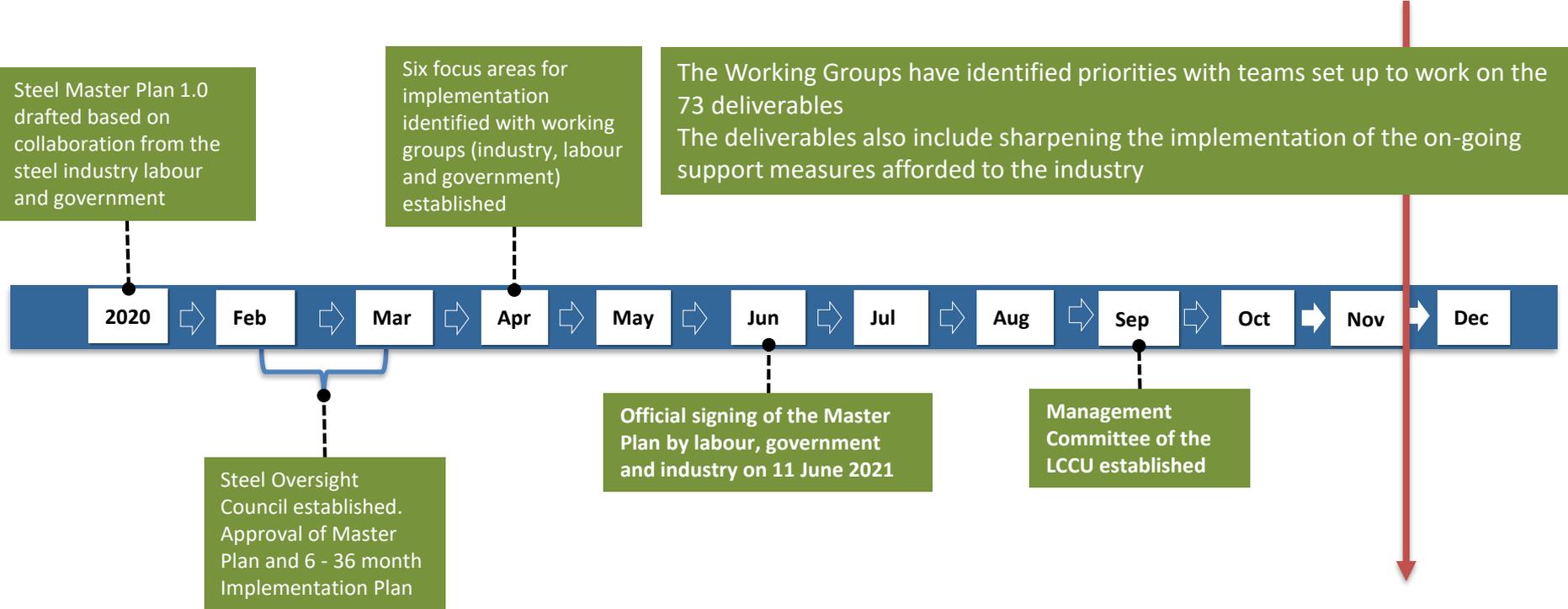
# CONTEXT IN WHICH THE MASTERPLAN IS IMPLEMENTED

## Key challenges faced by the sector/ value chain

- Reduced domestic and global competitiveness exacerbated by steep increase in production costs (raw materials, electricity, logistics)
- Unstable energy supply and escalating energy costs
- Transportation & logistics: unreliable and cost of rail transport infrastructure, heavy reliance on Road transport
- Delays infrastructure rollout programme → depressed demand
- Increased imports and the escalation of illicit/illegal trade (Asian and global over-capacity and over-production resulting in pressure on both primary steel value added products)
- Increased deployment of trade remedy measures globally – negatively impacting SA competitiveness in the export markets
- Capacity under utilisation – plant closures and job losses
- Climate Change mitigation – export markets gearing for changes – local industry is very carbon intensive
- COVID 19 impact and vaccine reluctance: impact on industry work force due to vaccine reluctance and increase number of infections.
- Events of July 2021
- Recent wage negotiation that lead to strikes actions



# April – Nov 2021: Key Deliverables Overview



# Key Successes Overview

## Steel and Metal Fabrication Master Plan

Support and Anchor the Reimagined Industry Strategy & Economic Reconstruction and Recovery Plan



### Trade Instruments

To support local industry & attaching reciprocal commitments, e.g.: improve industries' overall competitiveness; increase productive capacity; investments; retain and create jobs; enhance skills development



### Preferential Price System & Export Tax

Impact of Steel PPS & Export Tax: Better Availability of the input material for the local market. New market players/production lines are emerging and new products for localisation



### Illicit Trade

Progress made on addressing illicit trade: mis-disclaration and under invoicing under the Inter-Agency Working Group, led by SARS



### Localisation

Localisation interventions bearing fruit: supporting Black Industrialists; Jobs and Deepening of SA capabilities



### Industrial Financing Support

11 projects supported in the value chain. R209 Million disbursements  
R1.3 Billion Investments & R576 million in domestic procurement



### Highveld Industrial Park

Increased Investment in the Highveld Industrial Park: business rescue practitioner to Highveld recently announced the acquisition of the remaining iron and steelmaking assets of Highveld by Highveld Robusteel Proprietary Limited ("Robusteel"). This transaction will contribute significantly towards the local economy of eMalahleni, 900 new jobs to be created, the upskilling of local labour, artisanal and engineering personnel and also providing localised supplier development opportunities.



## Implementation

# Key Successes: Trade Support

## 1. Additional Trade Support Afforded: Already in Implementation:

- In August 2021, the **safeguard duties on other screws fully threaded with hexagon heads made of steel (set screws)** was extended for a period of 3 years and will be implemented at the following rates: 2 August 2021-1 August 2022: 35.6%; 2 August 2022-1 August 2023: 30.6%; and 2 August 2023-1 August 2024: 25.61%
- In August 2021, a **safeguard duty on certain flat rolled products, whether in or not in coils, expired and a decision was made not to further extend it**. Factors considered include: concerns over supply shortages; the level of the liberalised duty; improved financial position of the primary steel producers given market conditions and pricing; period the duty had already been in place
- In August 2021, **import duty on grinding balls** and similar articles for mills under the tariff sub-heading 7325.91 was increased from duty-free to 15%. Effective and timely tariff support can potentially resuscitate demand for locally manufactured grinding media, protect existing jobs while increasing job creation in the value chain
- In November 2021, **import duty on certain tubes, pipes and hollow profiles, seamless, of iron** (excluding cast iron) or steel, classifiable under tariff subheadings 7304.19.90, 7304.23.90, 7304.29.90, and 7304.39.35 was increased from 10 to 15%

# Trade Support

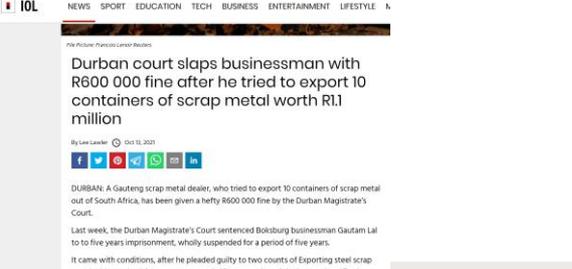
## 1. Trade Support: In the Pipeline

- In the 1<sup>st</sup> phase, significant support was provided to the upstream segment of the industry. Through the masterplan, there is a policy shift to consider streamlined trade policy tools to enhance downstream competitiveness
- A number of rebate facilities are under consideration to improve primary steel supply and cost competitiveness in the affected value chains
- Various Anti-dumping reviews; rebates and tariff adjustment recommendations are currently under consideration (in sub-sectors: fasteners; various steel and stainless steel applications)

# Key Successes: Scrap Metal Interventions

## 2. Scrap metals Interventions: Contribution to Local beneficiation

- An export duty on scrap metal was launched 1 Aug 2021 and through the ITA Act the Price Preference System (PPS) was extended to 31 July 2023. The 2 instruments are implemented concurrently to ensure adequate quality scrap metals (strategic resource) is available at competitive pricing for local processing by steel mini mills; secondary smelters and foundries
- These measures will contribute towards local beneficiation of scrap metals and restore supply stability for the industry which is mainly located in the Ekurhuleni Municipality; Ethekewini Municipality; City of Cape Town
- **Example of enforcement:** Scrap metal dealer, who tried to export 10 containers of scrap metal out of South Africa without the necessary permits has been given a R600 000 fine by the Durban Magistrate's Court. The dealer pleaded guilty to two counts of Exporting steel scrap metal without obtaining an export permit (Contravention of the ITA Act) and two counts of making a False declaration (Contravention of the Customs and Excise Act)
- **Impact on the profitability and pricing:**
  - Better affordability of strategic recourse, as it is an import feedstock in the production of downstream metal due to the relatively lower energy consumption (also its has a lower carbon footprint). Direct impact is low cost – as input material is now cheaper – manufactured product becomes cheaper
  - Concurrent system encourages expansions downstream
  - Promoting circular economy (greening the industry)



**Durban court slaps businessman with R600 000 fine after he tried to export 10 containers of scrap metal worth R11 million**

**DURBAN:** A Gauteng scrap metal dealer, who tried to export 10 containers of scrap metal out of South Africa, has been given a hefty R600 000 fine by the Durban Magistrate's Court.

Last week, the Durban Magistrate's Court sentenced Boksburg businessman Gaudam Lal to five years imprisonment, wholly suspended for a period of five years. It came with conditions, after he pleaded guilty to two counts of Exporting steel scrap



Steel scrap, once derided as trash, is emerging as a national strategic resource as steelmakers are increasingly recycling metal scrap to reduce reliance on iron ore, in line with global efforts to cut carbon emissions.

# Scrap Metal

## Scrap Dealers/ Merchants

- Scrap processors reporting double digit growth and financial performance. For example: Insimbi (JSE listed scrap merchant) highlights of their financial performance for 12 months ending August 2021 include:
  - Revenue up 47.6% (from contracts with customers) for the interim period increased to R3.1 billion (2020: R2.1 billion)
  - Gross profit up 41.8% growing to R274.9 million (2020: R193.8 million)
  - Operating profit up 181.7% to R95.2 million (2020: R33.8 million)

## Steel Mills

- The access to quality scrap at competitive prices has contributed to the sustainability of the local long products steel mills
- The enhancement of sustainability in their operations has increased competition and the competitiveness has been transferred into the pricing which support the downstream sector
- Long products in SA are now priced on a cost basis and this move yielded significant benefits. By illustration:
  - Scaw is selling locally manufactured equivalent wire rod product at a net ex-steel works price that is approximately 5% below the Chinese FOB price (source: SBB Platts (an S&P Global commodities information publication) and Scaw Metals)

## Downstream

- Reduction in the SA long products pricing to prices below those available in China (on a dollar basis) has created an internationally competitive downstream wire and wire rod products manufacturing sector → for the first time in over a decade, SA can increase its capacity and supply to the South African and Southern African markets

# Key Successes: Combatting Illegal Imports

## 3. Progress on the Inter-Agency Working Group

- During the period November 2020 to October 2021 , the below interventions have been initiated by SARS in the Steel and Scrap metal sector: that have resulted in the following:
  - There are 14 active risk rules for testing the level of compliance
  - A total of 4858 alerts on the declarations processed
  - 1079 physical inspections
  - 953 declarations that have been released as entered
  - A total of 126 vouchers of corrections (VOC's) processed\*
  - Over R1.8 million in additional duty and over R380 000 in VAT has been recovered
- **Corrugated Iron sheeting:** 5 corrugated sheet entities identified that might be grossly undervaluing their imports. 4 of the 5 entities, Reserve Bank payments to suppliers exceeded the amounts declared to SARS Customs. The clients' values declared to SARS customs and the Reserve Bank payments do not correspond

\*\*This is processed either by the clients' own initiative or SARS to correct the original declaration

# Key Successes: Industrial Financing Support

## 4. the dtic Industrial Financing Branch support

**11 projects supported  
R209m disbursements,  
leveraging R1.3b private  
investment & R576  
million in domestic  
procurement**

9 projects supported by the AIS Incentive Scheme & are Component manufacturers in the automotive sector, manufacturing products such as chassis components, aluminum and steel laser cuts for body panels, catalytic converters and automotive pressing and assemblies

**2 of the 11 projects  
are owned by Black  
Industrialists:  
1 fabricates mild  
steel, stainless steel  
and aluminum; and  
the other  
manufacturing  
components fro the  
automotive sector**

**99 new jobs  
& retained  
2340 jobs**

**Geographic spread of  
the support**  
4 of the projects in City of Tshwane  
1 in City of Ekurhuleni  
1 in City of Cape Town  
3 in Buffalo City  
2 in eThekweni

# Key Successes: Further Investments in the Highveld Industrial Park

## 5. Highveld Steel

- Was in business rescue since 2015
- Acquired by Highveld Robusteel Proprietary limited 2<sup>nd</sup> week of November 2021 for R1.65 Billion (USD 105 million)
- At full production, Robusteel will produce vanadium bearing pig-iron, various flat steel products, vanadium pentoxide slag and structural blooms
- Robusteel is jointly held by Bonheur Ventures Proprietary Limited and Amplico Resource Management Limited
- Reopening of Highveld Robusteel Proprietary limited → 900 new jobs to be created, the upskilling of local labour, artisanal and engineering personnel and also providing localised supplier development opportunities
- Highveld Industrial Park: employs 1 500 people. Once the of Highveld Robusteel's project is fully commissioned, 2 400 people will be employed



*Selaelo Ramusi, the CEO of Bonheur and Robusteel said: “This acquisition underpins inclusive economic growth and transformation through local beneficiation of resources by a black-owned entity in the heavy industrial sector. Given the nature of the assets acquired, this is an important step towards the re-industrialisation of the economy and the establishment of a competitive steel and manufacturing facility in South Africa. **Our acquisition is in-line with the recently-published Steel Master Plan.**”*

# Key Successes: Contribution to Localisation Programme

## 6. Over the reporting period, a number of initiatives have been implemented to support localisation and deepening of SA capabilities

### 6.1 Localisation in the rail recapitalisation programmes

- Transnet has recently issued **Letters of Awards a 5 year wheels** (forged and cast) tender to local manufacturers. Of approx. R5.5b total contract, a split awarded is considered on 34' wheels to Cast Products SA (ex. Scaw) and Naledi Ringrollers (a Black Industrialist) to the value of R2.5billion and 30% of 36' wheels is considered for award to Naledi Ringrollers. Transnet Engineering and the suppliers are in contract negotiations stage, with the final outcome anticipated in early 2022. Transnet Engineering is yet to make a decision on the remainder of the 36' wheel allocation. This has been possible due to the designation of wheels under the rolling stock local content requirements
- In 2013, Gibela Rail Transportation was awarded a tender by PRASA to supply 3 600 passenger coaches (600 train-sets) with incremental local content commitments. As part of the OEM localisation strategy, the consortium has converted its training centre (3600sqm) into a **Traction Motors manufacturing facility**. This workshop will produce 4 traction motors a day and create 90 new jobs. Currently, the traction motors utilised in the train production line are procured from France. This investment was officially launched by Minister of Transport on 29 October 2021
- Secured support from Transnet to consider a **developmental approach in their scrap disposal strategy** to ensure the availability of affordable scrap metal for the consuming industry. First round of the procurement closed in October 2021 and only local processors (i.e. mills; secondary smelters and foundries) will be considered

# Key Successes: Contribution to Localisation Programme

## 6.3 Accreditation and Certification Support to deepen SA capabilities

### Cullin Africa

- **The dtic** with the support of DPE facilitated discussions with Eskom KZN to support the localisation efforts of Cullin Africa, a local IPCs manufacturer with a production facility in Cape Town
- Cullin Africa invested R1.2 million in the production line of IPC, succeeded in acquiring the necessary approvals from Eskom (including certification on the new SANS 50483 specifications) and was subsequently awarded about R1m work by Eskom. Eskom is the process of issuing RFQs for the same product

### LVSA Group

- LVSA Group is approved with standards to design, development, manufacturing, and supply of industrial valves. In Sept. 2021, LVSA was also audited and recommended by the American Petroleum Institute (API) for the approval of manufacturing and producing valves for the oil, gas and petroleum sector
- LVSA Group, a black owned Valve manufacturer located in KZN, supported by the IDC with a loan of R105m, R35m from the Black Industrialist Scheme (BIS) and Shareholders' contribution of R48 million in Property and R24 million in Plant and Stock

# Key Successes: Contribution to Localisation Programme

## 6.3 Localisation of automotive components:

- The National Foundry Technology Network (NFTN) – Competitiveness Improvement Programme of **the dtic to support import replacement**, provided R700 000 support to Prevail Engineering Foundry based in Vereeniging. The intervention together with an investment of R7m on new tooling from the company resulted in the company:
  - securing 7 year supply contracts for automotive components with four Auto OEMs for mirror base and wiper pivot castings for local and export markets
  - securing a contract from a Lighting company to supply LED Light Fitting Housings
- The contracts have resulted in the 55 job retention with opportunities to re-absorb 22 workers (previously retrenched) when the Ford SA contract commences in July 2022 ; and additional investment in machining capacity

# FOCUS AREA: SUPPLY SIDE

## Key Priorities and Deliverables Achieved to date

### Interventions to improve input costs and supply across the value chain

- ✓ Rotational load-sharing programme is completed, companies requested to postpone the pilot until June 2022 to be able to participate in a current strong demand cycle
- ✓ Scrap metal export tax has come into effect from 1 August 2021
- ✓ The Price Preference System (PPS) has been extended for 2 years until July 2023 to complement the implementation of the export tax and ensure local market preference before exports
- ✓ Standards: Industry has drafted a specification on roof-sheeting products, NRCS is reviewing. SABS focus on capacitating labs – Industry engagements with SABS have identified standards requirements and further testing support required
- ✓ Working with IDC to identify opportunities – some programmes underway

# FOCUS AREA: SUPPLY SIDE

## Key Priorities and Deliverables Achieved to date

### Improve steel supply across the value chain

- ✓ Various rebate investigations to address primary steel non-availability and/or shortages have been completed ITAC and under consideration by the department
- ✓ Workshop held with ITAC on current value added export rebates – several industry players are now aware
- ✓ AMSA has reviewed the value added export rebate offering for the downstream industry and is agreeing to extend application timelines and develop a streamlined system that is able to better respond to value added exporters
- ✓ Analysis and development a proposal on iron ore and coking coal pricing – report with recommendations completed and interdepartmental consultations to commence btw. DTIC & DMRE
- ✓ A monthly communication piece – reporting the availability and supply lead-times of the primary steel mills – was launched in August 2021 and is well received by the players in the value chain
- ✓ Supply and Demand Matrix developed. South Africa's Steelmakers have sufficient production capability to supply the regional demand. (Note: Recent closures can be reversed; can be the flagship and industry leading footprint compared to global standards – Green steel in Saldanha)
- ✓ Diversification of long product mill to include hot rolled coil production complete – transaction with IDC in progress

# FOCUS AREA: SUPPLY SIDE

## Key Priorities and Deliverables Achieved to date

### Collaborative work with the IDC

SUPPLY	IDC FOCUS AREAS	IDC INITIATIVES	POTENTIAL IMPACT
Input Prices	Interventions to improve input costs and supply across the value chain	Direct Reduced Iron Manufacturing: <ul style="list-style-type: none"> <li>Masorini Direct reduced iron (DRI) manufacturing project at bankable feasibility (hot commissioning to be concluded end Jan)</li> <li>Exploring other opportunities with mining companies</li> </ul>	<ul style="list-style-type: none"> <li>Novel technology to exploit use of otherwise unusable iron ore fines to produce low-cost metallic units for steel industry.</li> <li>200 jobs</li> <li>Input into Green Steel production</li> </ul>
		Metallurgical Coal local Supply <ul style="list-style-type: none"> <li>Makhado Project feasibility</li> </ul>	<ul style="list-style-type: none"> <li>Access to affordable coking coal inputs reducing the reliance on imports</li> <li>800 jobs</li> </ul>
		Scrap availability <ul style="list-style-type: none"> <li>Green Ship Recycling at bankable feasibility study (Saldanha)</li> </ul>	<ul style="list-style-type: none"> <li>Supply and access to additional scrap as input into metal and downstream manufacturing</li> <li>400 jobs</li> </ul>
Long steel overcapacity	Improve steel supply across the value chain	Steel diversification and localisation strategy (study to identify market matching opportunities)	<ul style="list-style-type: none"> <li>Potential for diversification of IDC portfolio into competitive products needed for mining, automobiles, rail and exports</li> </ul>
Demand/Supply mismatch		Long steel mill diversification into flat steel	<ul style="list-style-type: none"> <li>Transaction in progress</li> </ul>

# FOCUS AREA: DEMAND SIDE

## Key Priorities and Deliverables Achieved to date

### Infrastructure: Stimulate steel demand through infrastructure development programme, SOEs, Mining and Buy Local Programme

- ✓ Draft Infrastructure Project List completed based on priority areas, Water, Energy, Roads/Bridges + Sasol Clean Fuels II
- ✓ Initial discussions held with Presidential Infrastructure Office commitment to align projects and localisation requirements
- ✓ OEMs on the SA Automotive Steel Localisation Road Map & alignment to Steel and Metal Fabrication master plan
- ✓ Scope defined for steel products with private sector partners:
  - ✓ Construction-driven value chains → Engineered Products, Steel Products and Steel Piping
- ✓ Blueprint of Local Content Compliance Unit set-up and collaboration with Proudly SA and SABS to improve the effectiveness including local content verification

### Stem illegal imports, under-invoicing and mis-declaration of steel products

- ✓ Increased support working with the Inter-Agency Working Group on illegal and illicit goods to seize and search cargo including increased surveillance on scrap metals export containers
- ✓ Prior Surveillance system to track imports has been recommended by the work-stream. Due to a surge of imports in corrugated roof sheeting, a recommendation is made to ITAC to pilot this product
- ✓ SARS Inter-Agency is already driving various activities:
  - There are currently over 118 cases that are within the audit and investigation space with proposed revenue potential around R 55 Million
  - 8 out of 12 cases reported are under investigation
    - **Fasteners:** 6 cases pending. The 4 clients have submitted documents that are currently being reviewed by SARS. 2 cases still pending. On the one case, the client paid a penalty for failing to submit documents. Additionally, R 2.1m letter of intent issued and SARS awaiting representations from the client
    - **Corrugated Iron sheeting:** 3 further cases received and will be audited in November 2021. SARS has already allocated cases and working through the risk profile

# FOCUS AREA: DEMAND SIDE

## Key Priorities and Deliverables Achieved to date

### Collaborative work with IDC

DEMAND	IDC FOCUS AREAS	IDC INITIATIVES	POTENTIAL IMPACT
Infrastructure	Focus on Designated products that will benefit from infrastructure investments	Rail Track Localisation Project Options analysis to be concluded end November	<ul style="list-style-type: none"> <li>A techno-economic study to assess capability, minimum viable capacity requirements and technical gaps to meet requirements for manufacturing of heavy-rail in SA.</li> <li>Localisation 77 000 tons/annum</li> </ul>
	Supply of steel products into Renewable Energy Projects	<ul style="list-style-type: none"> <li>Drive OEM support for local products</li> <li>Co-fund development of high grade galvanised steel product</li> </ul>	<ul style="list-style-type: none"> <li>Localisation of specialised steel required by OEM's</li> </ul>
Linkage with other supply chains	Automotive sector localisation	Co-fund development of specialised high surface finish steels with mills	<ul style="list-style-type: none"> <li>Localisation of specialised steel required by OEM's</li> <li>Estimated renewable and autos localisation 140 000 tons/annum</li> </ul>
Exports to rest to Africa	Support funding products that will assist access to new markets	<ul style="list-style-type: none"> <li>Intra Africa Trade Facility Pilot</li> <li>ECiC/IDC facility to be implemented as a pilot project and upon successful implementation, rolled out on a fuller scale.</li> </ul>	<ul style="list-style-type: none"> <li>Capex and working capital funding to SA manufacturers to fulfil export orders</li> <li>Direct lending to foreign buyers of SA capital goods and services</li> <li>Guarantees to lenders to cover repayment risks against foreign buyer default</li> <li>Export credit insurance, which covers political and/or commercial risks.</li> </ul>

# FOCUS AREA: RESOURCE MOBILISATION

## Key Priorities and Deliverables Achieved to date

### Incentives & Greening the Industry

#### 1. Steel Funds

- An agreement reached with the Steel Mills for a contribution of a R2.00 per tonne on crude steel production to kick-start the Steel Development Fund (to be launched in January 2022). As immediate priority, the Fund will support the Compliance Unit activities
- NPC has been formally established and registered – Interim Board appointed

#### 2. Downstream Steel Competitiveness Industry Fund

- IDC working on the amendments of the Fund to provide, among others, blended funding and credit guarantee to SMMEs to access steel as a key input material

#### 3. Greening of the Industry for domestic and export markets in support of decarbonisation

- Green Hydrogen Panel set-up to drive catalytic projects
- Engagements with DSI and DEAFF to apply for Global Green Funds to support industry Greening
- Collaboration with sister departments to support Industry via their specific mandates to align instruments and interventions
- IDC considering support for feasibility studies for green steel manufacturing such as the repurposing of Saldanha Steel
- Working with international community to find co-financing programmes

# FOCUS AREA: AfCFTA and EXPORTS

## Key Priorities and Deliverables Achieved to date

Export-oriented growth strategy for the steel value chain

*\*\* much of this work is still in process\*\**

- ✓ SA Inc. Export Strategy: agreed that no-one-size-fits-all strategy will meet the diverse industry export drive
  - ✓ Agreed to focus an export strategy on specific segments of Industry
  - ✓ Exports Rebates to be used support a greater export effort (both ITAC and AMSA)
  - ✓ All steel mills and merchants to consider how they can contribute towards pooled funds
  - ✓ Immediate focus should be on building on the current export strength – increase exports of successful sub-sectors (commodity type products, consumables, ect.)
  - ✓ The fabrication sector require special attention given its complexity
  
- ✓ First draft of Export Readiness Document developed and consultation with Industry are on-going to identify few countries, projects and programmes that can be prioritised
  
- ✓ Export Readiness Surveys were prepared and sent out for response via Industry Associations as well as Export Councils – Responses received

# FOCUS AREA: AfCFTA

## Key Priorities and Deliverables Achieved to date

### Collaborative work with IDC

EXPORTS	IDC FOCUS AREA	IDC INITIATIVES	POTENTIAL IMPACT
<b>Exports to rest to Africa</b>	Support funding products that will assist access to new markets	<ul style="list-style-type: none"><li>• Intra Africa Trade Facility Pilot</li><li>• ECIC/IDC facility to be implemented as a pilot project and upon successful implementation, rolled out on a fuller scale.</li></ul>	<ul style="list-style-type: none"><li>• Capex and working capital funding to SA manufacturers to fulfil export orders</li><li>• Direct lending to foreign buyers of SA capital goods and services</li><li>• Guarantees to lenders to cover repayment risks against foreign buyer default</li><li>• Export credit insurance, which covers political and/or commercial risks.</li></ul>

# AGOA and Section 232

**African Growth and Opportunity Act (AGOA);** U.S. trade policy toward sub-Saharan Africa since 2000, including South Africa. It is non-reciprocal U.S. trade preference programme that provides duty-free access to the U.S. market for most exports from eligible sub-Saharan African countries

## **Section 232 duties imposed during the Trump Administration**

- 23 March 2018, USA announced the decision to impose a tariff of 25% on imports of steel and of 10% on imports of aluminium, applicable to all importers into the US market (Chapter 72, 73 and 76 tariff lines)
- While a country exemption was not granted, SA companies approached US buyers to apply for product exemptions. Some stainless steel (Columbus) and aluminium (Hulamin) niche products were granted exemptions but all other applications were rejected. Exemptions are only valid for a period of 12 months with a possibility for renewal

## **Current Status**

- Last Ministerial Meeting between SA and the USA agreed that Senior officials from dtic & US team to meet. The main purpose is to review the EU conditions of the lifting of 232, draw learnings and its applicability to South Africa – meeting expected to occur in Early December 2021
- As it stands Section 232 is operational and only those applicable exempted companies can export duty free

# FOCUS AREA: HR

## Key Priorities and Deliverables Achieved to date

\*\*Much of the work in this pillar is still in process

### Improve industrial relations in the sector analysis of transformation levels across industry

- ✓ Labour (NUMSA and Solidarity) and Industry agreed to work with Productivity SA as to lead the productivity improvement programmes, i.e.: productivity, wage stability, job retention
- ✓ A draft proposal tabled, currently under consideration by the work-stream
- ✓ industrial relations and HR challenges survey completed - developing a set of recommendations underway
- ✓ Ongoing discussions between Industry and Unions on stabilization, career paths and worker participation

### Optimize Training and skills development

- ✓ Initiated collaboration with the Dept. of Higher Education and Training to identify key trades for piloting; jointly develop and roll-out programmes to enhance skill development and training; update the curriculum; and develop TVET colleges technical infrastructure
- ✓ Industry to identify the Trades and gaps in the system
- ✓ *(Note: ongoing discussions on restoring BBBEE points for technical & artisanal training which can also assist to open-up more training facilities)*

# DECISIONS TO BE NOTED/ ENDORSED BY THE COUNCIL

- As part of the social compact, reciprocal commitments are to be negotiated and MoAs entered into for trade instruments requested by industry for consideration. To re-emphasise, trade support should be viewed as short-term interventions and industry to really raise the overall competitiveness to compete in both the domestic and export markets
- The scrap metals interventions are yielding the desired outcomes. Industry to publicise the impact of the interventions
- The Inter-Agency Working Group on combatting illegal imports is making good progress and can be up-scaled to make the required impact. However, additional technical support and industry surveillance are urgently required to bolster the SARS capacity – including SARS technology upgrading
- A recommendation to adopt an Import Surveillance System and pilot it with imports of roof-sheeting → industry to avail technical and financial support for the development and roll-out of the system
- The Steel Fund to be launched in January 2022
- Establishment of a Local Content Compliance Unit, with a Management Committee reporting to a Steel Fund Board
- Industry to support the localisation drive, contribute independently to the public debates and assist in the policy advocacy for sharpening the localisation tools and implementing local content requirements (in both public and private projects)
- Greening of the Industry to be prioritised and accelerated – support working with DFIs, Int. orgs & foreign governments
- Progress across the work-streams is uneven. Greater industry and labour involvement and direction is required in the export; HR and Transformation programmes. In addition, the Council to support an Export strategy that focus on industry in segments and not a one-size-fits all export strategy

# MATTERS TO BE UNLOCKED

## SUPPLY SIDE

- Input costs and impact on the value chain: iron ore prices; electricity and rail performance
- High-quality long steel and flat steel in development stage to embrace the localisation drive (Retain and enable capacity utilisation for the high-quality local production of flat and long products such as required by the auto and appliance industry)
- IDC applications in the face of overcapacity concerns → repurpose IDC investments to enable balancing of the demand-supply challenges and improve the competitiveness for current assets
- Consideration for the interventions on scrap metals to be legislated rather than regulated → legislative framework
- Greening of the Industry to be prioritised – working with DFIs and sister departments

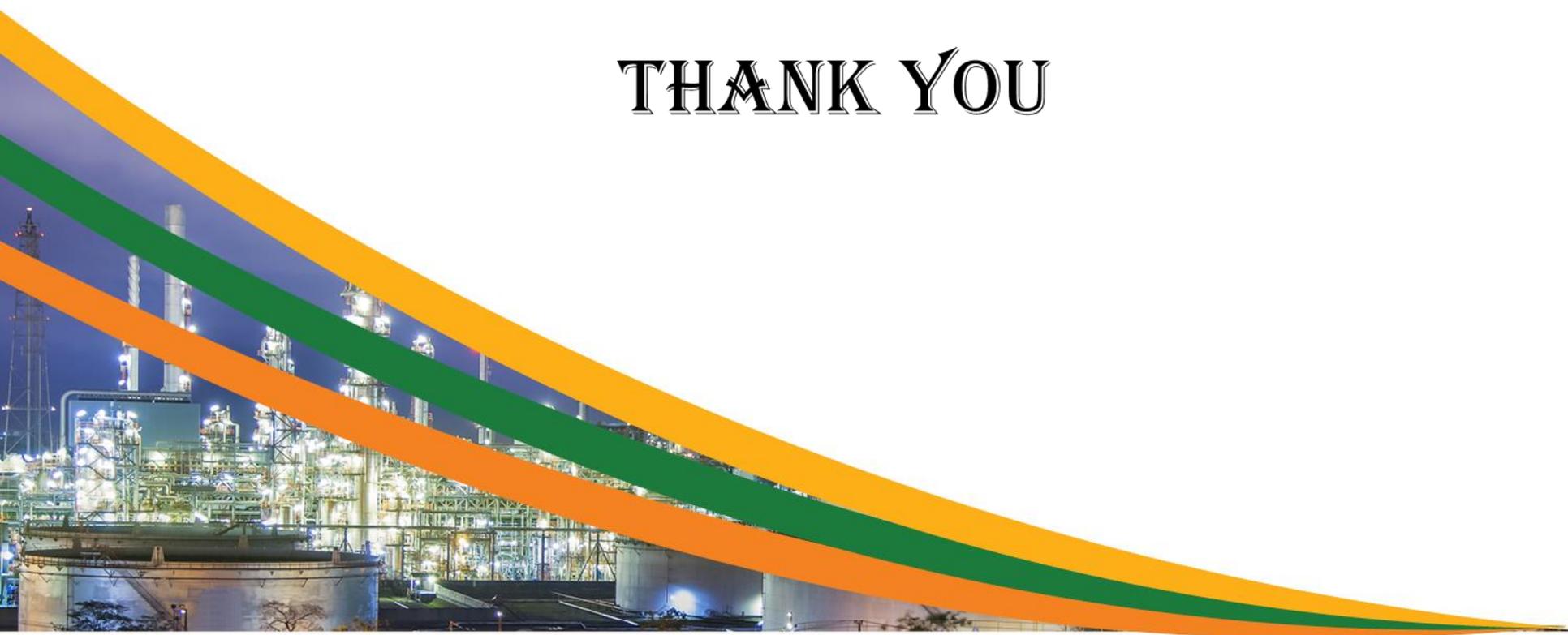
## DEMAND SIDE

- Although the governance of the Steel fund has been resolved, operational issues to be given more focus
- **Infrastructure Project Pipeline:** A high-level intervention is required to unblock the challenge of securing detailed project information, from the Presidential Infrastructure Office
- This information is required to provide sufficient forewarning for production planning, beginning with the mills to then supply into the rest of the steel value chain

# KEY FOCUS AREAS/ PRIORITIES FOR THE NEXT 3-6 MONTHS

- **the dtic** is re-tooling to provide greater support and attention to the primary steel work-programme AND deepen the implementation platforms of the masterplan
- Strengthen implementation actions via the Programme Management Office, which still requires good project managers to effectively drive the masterplan implementation
- Operationalise the Steel Funds – Development Fund and as well as the Industry Growth Fund
- IDC- the dtic-NT to finalise the Downstream Steel Competitiveness Industry amendments and roll-out the improved Fund
- Demand-side measures, i.e. identification and prioritization of key projects, must be intensified to increase aggregate demand
- Launch of skills development and training programmes pilots
- Accelerate greening the industry
- Industry Export strategy for specific products
- Capacitating and aligning key institutions: SABS, NRCS, SARS

# THANK YOU



**the dtic**

Department  
Trade, Industry and Competition  
REPUBLIC OF SOUTH AFRICA

**the dtic - together, growing the economy**

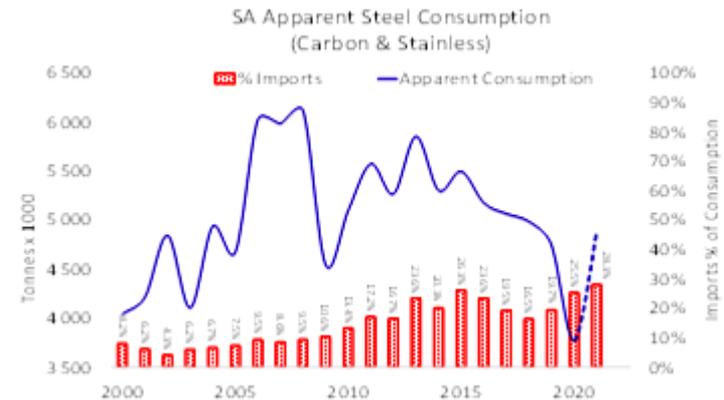
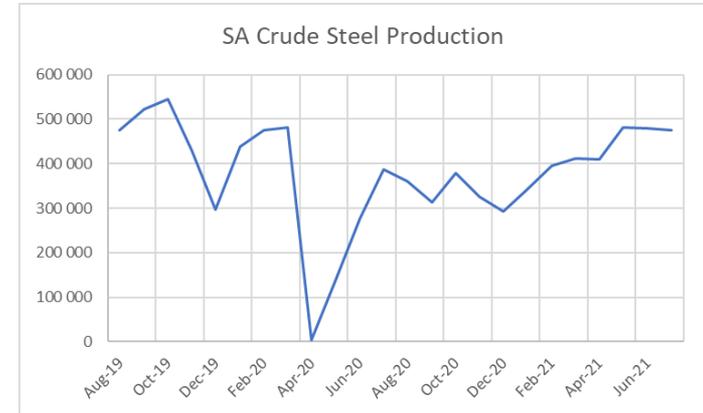
the dtic Customer Contact Centre: 0861 843 384

the dtic Website: [www.thedtic.gov.za](http://www.thedtic.gov.za)

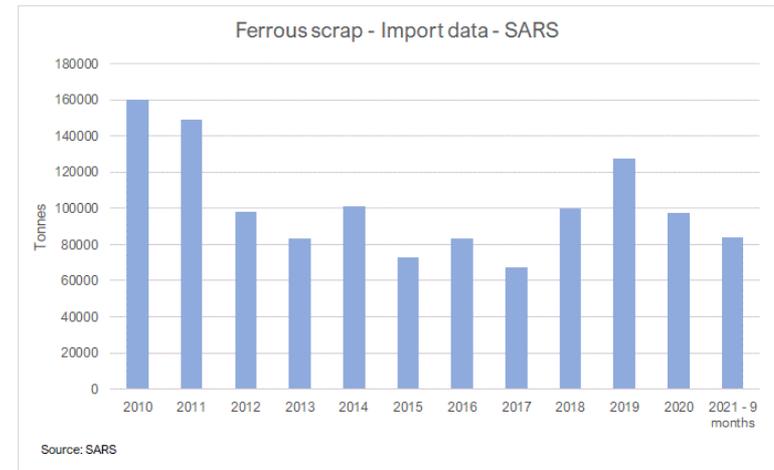
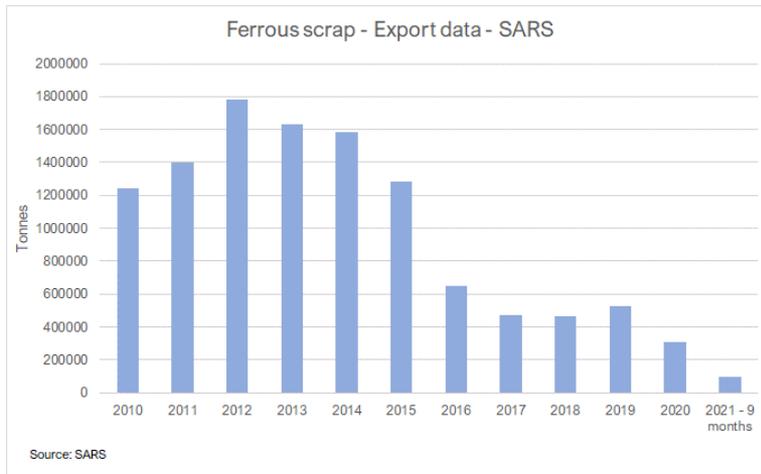


# 2020/21 KEY PERFORMANCE

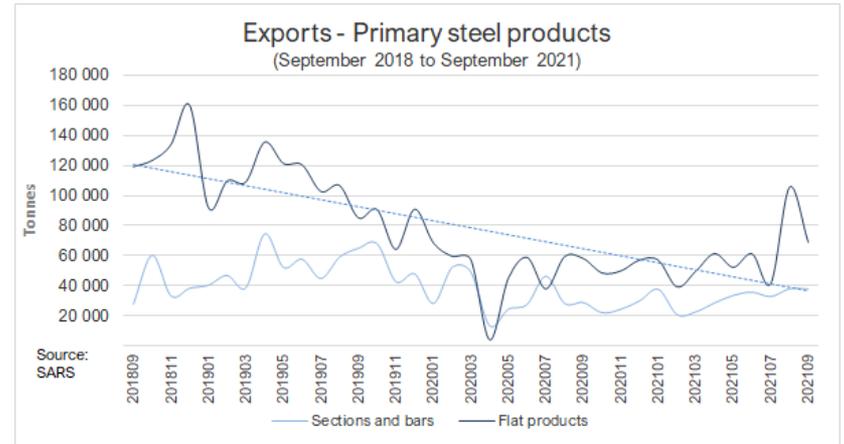
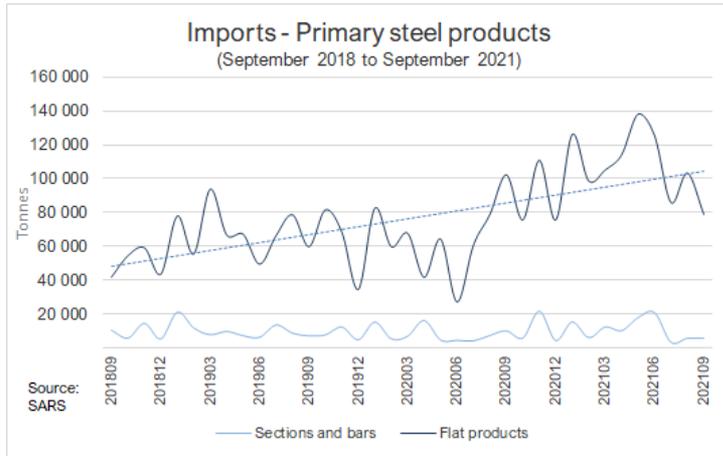
- SA steel users experienced steel shortages and long lead times, similar to global markets. While globally there are still supply chain disruptions, inventories have normalised and surpluses can be expected from Q3-2021
- SA crude steel production increased above the 450 Kt towards the mid-2021, on par with the pre Covid-19 levels
- The basic iron and steel industry operates at a 64,6% utilisation of its available capacity and at 84% of its active capacity in 2021, making the industry capable to supply substantially more demand growth. The opportunity exists to employ the additional marginal capacity competitively
- In 2021 primary steel imports increased to 28% of domestic steel consumption, matching the levels experienced in 2015 before the introduction of safeguard measures
- Articles of Iron or Steel (i.e. downstream products: wire and wire products, Tube & pipe, Fasters, Structures and other) experience similar import trends as that in the primary steel industry.
- The imports of articles of steel increased by 38,4% during the first 8 months of 2021 compared with the corresponding period during 2020 (SARS data)



# SARS trade data: ferrous scrap



# SARS trade data: primary steel



# SARS trade data: articles of steel

