Mainstreaming the Steel Master Plan

Conference Report

2022

MAINSTREAMING THE SMP STEEL MASTER PLAN

IDC Industrial Development Corporation

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

SEIFSA
Steel and Engineering Industries Federation of Southern Africa

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MAINSTREAMING THE STEEL MASTER PLAN

CONFERENCE REPORT

The Steel and Engineering Federation of Southern Africa's (SEIFSA's) Mainstreaming the Steel Master Plan Conference was held at Emperor's Palace in Kempton Park on 19th and 20th May 2022.

This almost a year after signing of the Steel Master Plan (SMP) on 11th June 2021. The SMP, which provides a road map for the industry to follow in order to re-energise itself and expand production of the sector, was under the microscope during the conference, which gave stakeholders the chance to express their concerns and expectations about the SMP.

The conference took place as the pandemic-battered world economy was beginning to open up, only to be dealt another blow in the form of Russia's invasion of Ukraine in March 2022. The ensuing war has led to shortages and sanctions, which have added to the supply chain issues and accelerating inflation.

The Steel Master Plan Includes Six Priority Areas or Workstreams

1. Demand-Side Measures
2. Supply-Side Measures
3. African Continental Free Trade Area Agreement
4. Transformation
5. Human Resources and Shared Vision
6. Resource Mobilisation and the Steel Fund

SEIFSA Chief Executive Officer, Lucio Trentini Welcomes Delegates

In his opening address Trentini stressed that the steel sector forms the foundation of any modern economy; and is essential to every single industry sector. The current difficult trading conditions in our sector have, by and large, been fuelled by increases in costs, low demand and labour costs which on the whole, have risen faster than inflation, all of which combine to make running competitive steel mills and downstream steel businesses very challenging.

These challenges impact the downstream steel sector adversely and affect the primary steel production sector.

Trentini highlighted that the Steel Master Plan focuses primarily on how to grow demand, which underlies the serious problems across the industry. Effective and rapid infrastructure development is urgently required to stimulate the sector, in addition to across-the-board repairs and maintenance projects in order to ensure that manufacturing and fabricating facilities, power generation and other critical sectors remain operational.

Nevertheless, Trentini cautioned that whilst the Steel Master Plan has the potential to revive both upstream and downstream industries, it cannot guarantee immediate progress, for instance, on ensuring that infrastructure projects proceed, particularly in the areas of rail, ports and power – projects that are viewed as key to stimulating demand for steel products and lie at the heart of the government's economic reconstruction and recovery plan. Instead, the plan should be seen as a platform through which industry, labour and government can agree on joint actions to address long-standing constraints, or to pursue specific initiatives designed to benefit the industry as a whole.

In the final analysis, the success of the Steel Master Plan therefore rests with all of us, business, organised labour and government. It won't be easy, that we know, but now is not the time for sitting back and moaning about all the problems. The journey will be difficult and there will undoubtedly be many an obstacle along the way.

Trentini ended off his address by thanking all delegates for attending the conference and hoping that the next day-and-a-half engagement will allow everyone to leave with a more solid, more positive understanding and appreciation of the Plan.

SEIFSA President, Elias Monage Sounds a Note of Caution about the Reach and Ultimate Success of the SMP

Monage stressed the need for immediate action on implementing those stability measures to save the current capacity from further contraction. The emphasis of this fact was underscored by the warning that the *writing is on the wall*.

There are major economic headwinds facing the sector, namely, the covid-19 induced economic disruption, tightening of monetary policy globally, the aggressive inflationary pressures emanating from the Russia/Ukraine war and domestic challenges from electricity to rail and ports. Monage stressed that on these domestic challenges, whose solution is within the control of domestic policy makers, hard and progressive decisions are needed.

One of the biggest issues facing the industry and one that the industry has faced since the 2010 World Cup, is one of demand for steel. This is a key focus area for the SMP.

Monage stressed that the solution to constrained demand is to roll-out a large-scale infrastructure program. The challenge was put to the DTIC stakeholders to champion this initiative within the state.

Monage informed delegates that in order to ensure the industry drives the Master Plan, the Minister of Trade, Industry and Competition has appointed a Steel Oversight Council, which includes a wide range of CEOs from both upstream and downstream, leaders of the two biggest unions in the sector, senior representatives of SOE's and a number of senior government officials. The Council will drive the implementation of the master plan and monitor its progress.

The members of the Council are appointed in their personal capacities, as industry leaders, and will be supported by experienced people who will act as project managers or workstream leads to drive the various programmes.

Monage closed his address by highlighting that the implementation of the SMP will therefore rest with the industry; it will not be dominated by the government nor by any one or group of dominant employers.

Minister of Trade, Industry and Competition, Ebrahim Patel Reminds the Conference that the SMP involves making Choices and Stakeholders pulling in the same Direction

The Minister highlighted that the master plan approach, across all sectors and the SMP, is an intentional deviation from the traditional approach of individual stakeholders (from labour and business) lobbying the state for one or other solution.

The traditional approach is unstructured, presents competing interests and a duplication of efforts. The Master Plan approach consolidates challenges, demands and solutions in a consolidated framework, making it possible to effectively identify areas that can be streamlined and the possibility to trade off-demands. Delegates were encouraged to approach the SMP conference with this mindset.

However, the Minister also stressed the fact that there is no path forward where every stakeholder gets what they want in absolute terms and that ultimately a partnership demands that choices will need to be made.

The Minister referred to the need for a cohesive force behind the SMP, warning that it was about hard work from all stakeholders and would involve failing many times but always getting back up to ensure success.

Along with hard work, the Minister stressed, there needs to be a common language, a common vision and a common way forward for all stakeholders.

The Minister referred to three outcomes that needed to be taken into account with any Master Plan:

1. **Industrialisation** and the development of industrially competitive businesses;
2. **Transformation** and the removal of structural barriers to growth. Here the Minister mentioned the importance of ownership transformation and more opportunities for women and black and white young people and the promotion of the township economy; and

- **A Capable State**, which is linked to implementation and the DTIC being more focused on serving the interests of industry, with government as a partner and a tougher stance on red tape as a capable state, the Minister stressed, is not represented by bureaucracy.

The Minister confirmed that he has given a directive within the DTIC for the different departments and agencies to commit themselves to reducing *red tape* in internal processes over the next 12 months, which presents an important opportunity for collaboration where the private sector can help to identify areas where *red tape* is unnecessarily hindering progress.

The Minister furthermore committed himself to convening a joint meeting with Finance Minister Enoch Godongwana, Public Enterprises Minister Pravin Gordhan, himself and the Steel Oversight Council to discuss:

- the infrastructure rollout programme;
- the impact of SOE's on and role within the metal and engineering sector; and
- localisation on large-scale infrastructure programmes and a deeper conversation about the either/or approach to localisation.

Importantly, beneficiation came up as an area in terms of re-energising the industry and ensuring the country gets the full benefit of its resources. The Minister stressed that a beneficiation strategy needs to complement the SMP, but readily acknowledged that beneficiation is not going to happen in a meaningful way without a reliable source of energy.

Trade support and protection also featured prominently in the Ministers address. The following points were critical:

- protection is a is a double-edged sword - while it provides safety it can also blunt the competitiveness of industry and induce costs into the economy. Therefore, tariffs should only be used as a temporary *shield* and not as a permanent solution;
- going forward the scope of considerations when assessing a tariff application will be widened to not only consider distress that a company/industry may be experiencing, but reciprocal commitments made by the company/industry in exchange for the trade support. The reciprocal commitments will also need to consider the domestic economic activity that will yield from the trade support; and
- importantly, the Minister indicated key deliberations and proposals from the conference would be used as inputs to revising the trade measures section of the SMP.

State procurement, which amounts to R800 billion per annum was identified by the Minister as an important demand source for the metals and engineering sector and this offers an important opportunity to increase economies of scale for local companies. The public procurement bill is currently under consultation through the NEDLAC process. Minister Patel invited the steel sector to be involved in this process and to submit a comprehensive steel sector submission into this process.

The Minister readily acknowledged that the Government could do more to promote the industry in terms of implementation of the SMP and by recognising the needs of the broader business environment. In addressing the domestic business environment, the Minister highlighted the following priorities for his Department:

- advocate for the opening-up of the economy;
- faster implementation of the post Covid-19 economic reconstruction program, in which Master Plan's play a big role. The economic headwinds from the July unrest and floods in KwaZulu Natal and the economic implications from the Russia/Ukraine war are important events that highlight the need for partnership in the economic recovery agenda;
- Driving demand for sectors through:

  - state spending;
  - private sector spending; and
  - exports facilitation and promotion particularly into the African Continental Free Trade Area.

Finally, the Minister referred to the energy sector as presenting significant economic potential for the sector in the form of building new energy capacity and the energy transition to cleaner energy.

NUMSA General Secretary, Irvin Jim discusses the Importance of Aligning the SMP's Objectives to the Union's Strategic Vision for the industry

Jim's strongly criticised Government for failing to promote the crucial task of championing manufacturing and industrialisation. Jim argued that the Steel Master Plan has not been implemented fast enough to protect existing manufacturing capacity or create jobs. He argued that it is critically important to promote skills training and to develop a training philosophy centred on producing skills needed to champion manufacturing, create jobs and grow the economy.

Solidarity Deputy General Secretary, Marius Croukamp argued that the SMP cannot be Allowed to Fail despite the Complexities

Croukamp argued that the SMP represents a broad consensus on the measures required to rebuild the steel industry, a major driver for manufacturing, mining and the motor industry and many thousands of workers.

Croukamp highlighted the point that as with other Master Plans, the SMP is a work in progress, so it should be adapted and modified to meet specific needs and circumstances. He nevertheless cautioned that implementation of the SMP will not easy and the complexities of the South African steel industry need to be well understood. Organised labour's participation in the SMP, Croukamp argued, is vital as it represents the interest and voice of the workers. NUMSA and Solidarity, he stressed do have a track record of having co-operated across various industries and have successfully engaged in collective bargaining together. Whilst Croukamp acknowledged that some progress has been made in certain areas, much still remains to be done to meet the overall aspirations of the plan.

Special Adviser to the Minister of Trade, Industry and Competition, Dr Bernie Fanaroff sets the Scene and Sounds a note of Urgency around Implementation

Dr Bernie Fanaroff began his overview by providing some background with the observation that since 1994 the South African economy has not grown at a satisfactory rate, resulting in, high unemployment and a lack of domestic demand in the steel industry. This, he argued, makes job creation the most important issue facing SA. The SMP, Dr Fanaroff reiterated, considers short-term measures to stabilise the industry and long-term goals for the industry to grow.

He noted that the SMP is gaining traction, but good project managers are needed to support the workstreams to get things working. The search for new project managers is essential and is ongoing. This is an area where the private sector can play an important role. He also called on labour, in particular NUMSA, to improve its participation in the process as growth of the industry will create employment.

Dr Fanaroff noted that B-BBEE requirements are not aligned with localisation of production, which is vital for the growth of industry. Some parts of government, he highlighted have argued that localisation would add unnecessary costs and delays to the delivery of services and infrastructure. He warned that such a blanket view of localisation has the potential to yield missed opportunities. Where domestic production capacity already exists, these companies should be prime targets for localisation initiatives and be incentivised to be internationally competitive.

He also highlighted the importance of exports as a way to increase demand as well as Africa being a focus area, especially in the context of the AfCFTA. Industry leaders, he highlighted have indicated that there is a huge amount of contract, mining, infrastructure and agriculture work happening in Africa, which presents an opportunity for South African companies to play a part in this expanded and growing market.

The industry, he noted, is losing expertise, which is harder to replace than skills. Skills, he highlighted you get from training. Expertise, he stressed, you get when you have done the training and you work on the job for some years with mentoring from people who have expertise over and above the skills needed to do the job. The industry, Dr Fanaroff argued urgently needs a mentorship programme.

Dr Fanaroff closed out his overview by stressing that there is still a long way to go on the transformation of the industry and a focus away from solely ownership. Whilst important ownership on its own is not enough. Spatial, gender and age transformation through bringing younger people in the sector are all areas that require intervention if the sector is to grow sustainably.

Panel Discussion: Demand-Side Measures, Localisation and Illicit Trade

Key Note Address:

- Thandi Phele, Acting Deputy Director-General, DTIC

Panellists:

- Henk Langenhoven, Chief Economist at Minerals Council South Africa
- Mike Benfield, Chief Executive Officer, Macsteel
- Phillipa Rodseth, Executive Director, Manufacturing Circle

Thandi Phele, Acting Deputy Director-General, DTIC

Phele argued that the master plan has placed the demand-side interventions at the centre of rejuvenating the industry, improving competitiveness and greening the industry.

This is needed because the industry has been operating below capacity and growth is crucial. So far there has been a slow rollout of infrastructure projects and infrastructure will be the key instrument to addressing the demand challenges presently faced by the sector.

Phele highlighted the point that local companies have not been able to compete with imports coming in to the country and the volume of exports to traditional markets has been shrinking.

Phele reiterated the key point that Workstreams are made up of small groups of people from government, labour and business, however, participation has not been satisfactory to the level that will induce sufficient traction on the initiatives envisaged in the plan.

A key constraint, Phele argued is the lack of dedicated capacity to drive the programs. The workstreams are open for broad participation by stakeholders and the call is once again made for greater participation on the different Workstream.

What can Government and the Private Sector do to Spur Demand?

Phillipa Rodseth, Executive Director, Manufacturing Circle

Rodseth argued that service delivery failures are mostly experienced at local government level. Factories operating in these municipalities cannot be productive or competitive without reliable electricity, water etc. services, this is because inefficiencies breed costs.

This, Rodseth highlighted, is an important area where resolution is urgently needed if the aspirations of the SMP are going to be achieved.

Furthermore, Rodseth argued that these service delivery failures present perfect *low hanging fruits* for private-public-participation, where the state and the private sector can work-together on a collaborative basis in the immediate to short term with significant results flowing into the mid to long term horizon.

Mike Benfield, Chief Executive Officer, Macsteel

Benfield strongly argued that there needs to be political will to allow the private sector to take over those aspects of the economy where it is clear that the state has failed. Business wants to engage but the state, Benfield argued, needs to push the button to make it happen.

Importantly, the state needs to make this happen now because the level of decay in service delivery is occurring across many levels of the economy impacting on the competitiveness of companies.

Benfield highlighted that the private sector works on the basis of consequences, hence where there are poor results or outright failures, greater private sector participation will or would ensure that things happen quickly and efficiently.

Henk Langenhoven, Chief Economist, Minerals Council SA

Langenhoven agreed that business does indeed need to step-in. He highlighted that in mining investment is not happening because there is no confidence due to the collapse of services from state-owned entities, like electricity, rail and ports, which act as sever constraints on the mining sector's ability to produce, export, grow and created jobs.

Resolving these challenges, Langenhoven highlighted would result in long-term confidence not just in the mining sector but across many segments of the economy. increased investment in the mining sector will also drive demand from the steel sector.

Mervin Naaido, Chief Executive Officer, Actom from the floor argued that there needs to be a co-ordinated approach to how infrastructure is rolled-out and importantly, a smoothing out of demand. The current approach of *big bang* ad-hoc projects is a recipe for the failure of local suppliers and works against localisation aspirations. Co-ordinated infrastructure spend that is clearly communicated in advance allows suppliers the opportunity to plan their capacity in response to the opportunities that will arise.

Panel Discussion: Supply-Side Measures

Key Note Address:

- Harry Kassel, Group Chief Executive Officer, Reclamation Group

Panellists:

- Charles Dednam, Secretary-General, SA Iron and Steel Institute
- Mahendra Shunmoogam, Director, DTIC

Harry Kassel, Group Chief Executive Officer, Reclamation Group

Kassel argued for more effective implementation of various supply-side measures as being necessary to improving industrial performance and enabling the sector to grow**.** The bottlenecks presented by the rail network and port infrastructure must be addressed to unlock major projects in the metals industry. Infrastructure spending, through public-private partnerships, will be key to achieving success in this.

Input costs, Kassel highlighted, including energy, have been rising at above-inflation rate, adding to the pressure the industry is under. The irregular supply of electricity has had a devastating impact on the sector, forcing producers to consider a greater reliance on the self-generation of electricity. This, Kassel argued presents an opportunity cost where capital that would have been invested in expansion projects is now being used to secure a company's immediate survival and ultimately the prospect of growth is compromised.

All costs, Kassel highlighted, including the price of scrap metal, have to be managed to ensure the industry can grow. The manufacturing industry needs a supply of affordable scrap metal to function and fulfil its potential. This is critical to the country's industrialisation. Greater availability and use of scrap in the production of steel, will contribute to lowering the sectors carbon footprint from a circular economy perspective.
Local research and development (R&D) knowledge, Kassel highlighted can also help to reduce water and electricity consumption and produce less waste.

Mahendra Shunmoogam, Director, DTIC

Shunmoogam highlighted that the DTIC is in constant communication with its partners in the SMP and ensures that everyone is kept updated on developments, issues are highlighted and unpacked.

The social compact that is the SMP, Shunmoogan argued brings the stakeholders closer together. Government wants more private sector involvement and it can be involved independently through funding projects at tertiary institutions to enhance R&D capacity.

Charles Dednam, Secretary-General, SA Iron and Steel Institute

Dednam highlighted that on a steel consumption per capita basis, South Africa is one of the world's lowest steel consumers. This, he argued, presents a real opportunity to grow the sector. To capitalise on this opportunity the serious barriers to growth will need to be addressed. The supply-side bottlenecks from rail and ports and the energy crisis affect the entire supply chain and not just the immediate area in the value chain in which the problems are experienced.

It is important to highlight, Dednam pointed out that there is also a lot of dormant capacity in the downstream areas of the sector.

Harry Kassel, Group Chief Executive Officer, Reclamation Group Responding to a question from the floor

A serious problem is the rampant theft of scrap metal. Despite numerous campaigns and interventions, this problem has not been solved. The cost of stolen cables is not limited to the cost of the damaged infrastructure, but also the opportunity cost when product cannot be transported to the port because trains are down, or an inability to produce because of not having electricity. Despite various interventions and campaigns, a ban on scrap metal exporting on its own will not solve this problem. What is needed is far more effective and efficient policing, better collaboration with key role players and communities and tougher penalties for transgressors.

Panel Discussion: Transformation, Human Resources and a Shared Vision

Key Note Address:

- Tumi Tsehlo, Chief Executive Officer, Dynamic Fluid Control
- Wayne Adams, Chief Executive Officer, MerSETA

Panellists:

- Sebolelo Sybil Chabane, Director, Department of Higher Education and Training
- Mervyn Naidoo, Group Chief Executive Officer, Actom

Tumi Tsehlo, Chief Executive Officer, Dynamic Fluid Control on Transformation

Tsehlo argued that transformation is a crucial pillar if the sector is to be truly sustainable. However, the sector also needs to be stabilised and put on the right path for this meaningful transformation to take place. Tsehlo touched on a recent quantitative survey conducted amongst SEIFSA affiliated member companies regarding B-BBEE compliance levels.

Tsehlo commented that the SMP anticipated some of the problems around ownership, including competing with foreign firms while also meeting B-BBEE requirements. The issue of meeting onerous local administrative requirements related to B-BBEE compliance was also brought up and this too needs to be addressed.

The following proposals, Tsehlo highlighted, were submitted and stratified across what Business and Government should do:

- **What Business must do:**
  - SEIFSA to champion and facilitate conversations and engagement with member Associations and affiliated member companies on the imperatives of transformation;
  - formulate and sign-off on a pledge by Associations and their membership to sign-up to transformation imperatives aimed at substantively moving transformation forward over the next 3 to 5 years;
  - directly engage the largest employers to seek their commitments;
  - smaller employers to be engaged as a collective; and
  - conduct annual surveys to monitor, track and report on progress on transformation imperatives, emerging issues, etc.

- **What must government do:**
  - remove middlemen importers and favour local manufacturers;
  - unlock the infrastructure spend to revitalise demand in the sector; and
  - remove *red-tape* for business to alleviate the administrative burden on businesses.

Wayne Adams, Chief Executive Officer, MerSETA on Human Resources

Adams emphasised that skills are a key driver in many of the Master Plans and the MerSETA is the intermediary between industry and the training centres, putting the organisation at the forefront of the process. The industry needs upskilling so it can be competitive locally and internationally. The MerSETA, like other SETAs, Adams highlighted is aligned to the objectives of the Economic Recovery and Reconstruction Plan and collaborates with the DHE, TVET Colleges and employers to ensure that all skills planning is based on industry needs. Adams supported the view that partnerships is key and the MerSETA, for one is ready to work with all stakeholders.

Sebolelo Sybil Chabane, Director, Department of Higher Education and Training

Chabane stressed the point that there is a need for a closer connection between the work done at the Department and the needs of industry. This she argued can be achieved through closer dialogue at the point of implementation. Chabane highlighted the gap that many young people fall into between what they have learnt at college and what they need to know on the job and stressed that this needs to be bridged, as well as addressing the concerns from employers that they cannot find suitable candidates. Chabane commented that stakeholders need be realistic about the barriers to absorbing young people, which are not always financial. There needs to be benefit for both sides for this to work.

Mervyn Naidoo, Group Chief Executive Officer, Actom

Naidoo emphasised that Actom as a group aligns itself very closely with Universities to make sure that the syllabuses are aligned with industry needs. It is imperative, Naidoo stressed, that from school, the subjects are aligned with industry needs, for example, maths literacy, Naidoo highlighted is arguably of little use from an engineering perspective.

Tumi Tsehlo, Chief Executive Officer, Dynamic Fluid Control in Responding to a Question from the Floor

Tsehlo acknowledged that the sector is experiencing a succession gap, in the form of an older generation that is on the verge of leaving the sector coupled with insufficient new entrants into the sector. However, as opposed to seeing it as a risk, Tsehlo highlighted it as an opportunity to transform the sector. This however will require the equivalent of an exit strategy to be developed and agreed between the sector and the state in order to facilitate and maximise this opportunity.

Panel Discussion: Resource Mobilisation, the Steel Fund, Dealing with Localisation and Illicit Trade

Key Note Address:

- Charles Dednam, General Secretary, SA Iron and Steel Institute

Panellists:

- Dr Umeesha Naidoo, IDC Industrial Planning
- Sagren Moodley, Chairman and Chief Executive Officer, Metpress

Charles Dednam, General Secretary, SA Iron and Steel Institute

The Steel Master Plan is premised on the idea that everything works, when we work together. But, Dednam emphasised, we need greater transparency in the industry. For example, we can get to the bottom of why the low import prices do not feed through to the end-user, if we have the requisite transparency. All stakeholders are important and need to be involved to make things work, including the import players.

Dednam highlighted that in terms of pricing, globally the cost of steel is predominately affected by logistical costs. That is, most domestic mills are relatively competitive on a factory gate basis, however, the cost of moving the steel becomes an important determining factor in the end price. Rail and ports are a national public good, therefore, the State has a significant role to play in order for the steel sector to be competitive.

In dealing with the domestic price of steel, Dednam stressed that dedicated attention needs to be placed on all the other input cost items namely: labour, electricity, administered prices, etc.

On the Steel Fund, Dednam commented that one of the problematic areas in capitalising the Steel Fund was getting importers of steel to contribute their R2/per tonne of steel imported. This is an area that the Compliance Unit will need to assist and get more actively involved.

Dr Umeesha Naidoo, IDC Industrial Planning

Dr Naidoo highlighted that the main objective of the Industrial Development Corporation is to support industrial capacity development - both existing and new - by funding high impact and labour-intensive projects. When it comes to higher-risk funding, the IDC will look to take on partners. Once a project is bankable, the IDC will consider co-funding with debt, equity, guarantees and bridging capital, among other options.

Renewables, Dr Naidoo stressed is a major focus area for the IDC, and it has invested more than R50bn in such projects. Further, the organisation is in the process of refining and finalising the downstream manufacturing fund.

Sagren Moodley, Chairman and Chief Executive Officer, Metpress

Moodley highlighted the point that local manufacturers have a multiplier effect on the whole economy, which makes them pivotal. However, leakages - both internal and external - must be addressed as they are sapping the industry's already-depleted strength.

Moodley stressed that the mandate of the Compliance Unit is to plug these holes. SA's very porous borders at customs level, along with capacity issues, means this issue cannot be ignored. Anything that companies can do to help to plug the leakages, such as helping SARS and training custom officials, will be extremely helpful.

Capacity issues at the South African Revenue Service (SARS) customs unit, Moodley highlighted have been raised as an issue that has resulted in excessive steel imports, that come into the country under-declared. The SMP Compliance Unit, Moodley indicated, will focus on developing new Harmonised System (HS) codes for steel products where gaps exist.

Moodley highlighted that SARS Customs officials are very good at customs law and not so much on the technical properties of products, which presents a loophole for imports, particularly in technical industries. Through the SMP Compliance Unit there is already a program underway to train SARS Officials on the technical properties of products which will assist with the policing of imports.

Panel Discussion: African Continental Free Trade Agreement Market and New Market Access

Key Note Address:

- Elias Monage, Chief Executive Officer, Afika Power

Panellists:

- Trudi Hartzenberg, executive director at Trade Law Centre NPC
- John Rocha, Chief Director for Trade Invest Africa at DTIC

Elias Monage, Chief Executive Officer, Afika Power

Monage highlighted that SA does not trade with other African countries as much as we could notwithstanding the market into the continent offering huge opportunities, and some risks too. The African Continental Free Trade Agreement (AfCTA) Monage stressed will play a part in helping to harmonise trade relations on the continent.

All countries have different migration and visa requirements, which need to be harmonised. There is also the issue of existing bilateral and multilateral agreements, including SADC and SACU. In terms of the objectives of the SMP, Monage stressed, the AfCTA offers companies the opportunity extend themselves and trade with other countries on the continent.

Monage emphasised that now is the time to act in terms of taking advantage of the window of opportunity presented by the African free trade area as there are clear indications that other African countries and players are not standing still but developing and building their capacity into Africa.

Trudi Hartzenberg, Executive Director, Trade Law Centre

The free trade area is both ambitious and necessary and there is a lot of scope for improvement in trade on the continent. The aim of the AfCTA, Hartzenberg highlighted is to reduce tariffs to zero eventually, but this will take time. Some countries are reliant on these tariffs, so they will need more time to phase them out.

So far 43 member states of the AU have ratified the agreement, though no trade has taken place under the agreement and there are still a number of outstanding issues. When the countries begin to trade under the agreement it will change how trade between partners takes place and there are definite benefits for members of the agreement. At this stage, countries tend to trade within their regional treaty agreements (SADC and SACU), but the AfCTA will open up the continent. Issues such as rules of origin; finance and support for industrial development; transport costs; and non-tariff barriers are being addressed under the AfCTA.

John Rocha, Chief Director, Trade Invest Africa, DTIC

The DTIC has created the export barriers monitoring mechanism as a tool to allow South African exporters to report any non-tariff barriers issues they experience on the continent. Rocha indicated that there has been success on some issues such as keeping the border between South Africa and Mozambique at Lebombo open 24 hours a day. For companies wanting to export into Africa there are teams in the Department that deal with different regions of Africa. Rocha agreed wholeheartedly with the previous two speakers that there is enormous opportunity for the industry in Africa, as 60% of what the continent consumes comes from outside of Africa and we as a sector should be working very hard to decrease that number. Roca halos pointed to the fact that there is also an extremely high rate of urbanisation on the continent, which, again, offers a big opportunity for development.

Action Items from the Conference

- Minister Patel has given the directive within the DTIC for the different Departments and Agencies to commit themselves to reducing *red tape* in internal processes over the next 12 months, which presents an opportunity for collaboration where the private sector can help to identify areas where *red tape* is unnecessarily hindering progress.
- The Minister committed himself to convening a joint meeting with Finance Minister Enoch Godongwana, Public Enterprises Minister Pravin Gordhan, himself and the Steel Oversight Council to discuss:
  - the infrastructure rollout programme;

- SOE's and their impact on and role within the metal and engineering sector; and
- localisation on large-scale infrastructure programmes and a deeper conversation about the *either/or approach* to localisation.

- SEIFSA to play an active role in the NEDLAC process on the consultation of the Procurement Bill and to facilitate the process of developing a comprehensive Steel and Engineering Sector Submission on localisation and local procurement.
- The establishment of a Project Management Office, along with the appointment of dedicated Project Managers to the various SMP Workstreams is necessary for progress. The private sector can play an important role in this regard.
- The sector must establish a mentorship and transformation scheme that will facilitate the replacement and development of skills to support the sector. On the transformation front the scheme will look at transformation across all its paradigms, including ownership, spatial, gender and the age profile of the sector.
- SEIFSA to facilitate conversations and engagement with affiliate Associations and affiliated-member companies on imperatives of transformation and SEIFSA will work towards formulating a pledge to be signed-off by Associations and/or their membership, targeting the larger companies with an end goal to substantively moving transformation forward over the next 3 to 5 years. Also, SEIFSA to conduct annual transformation surveys to monitor, track and report on progress in the transformation space.
- The state to be encouraged to allow for greater collaboration with the private sector in those areas where the state has clearly failed, particularly at the local government level. This, however, needs to happen immediately because the level of decay in the provision of basic public services is substantial and materially impacting on and influencing the competitiveness of domestic companies.
- A mechanism needs to be developed, agreed and implemented to ensure that imported steel also contributes the R2/ per tonne levy to the Steel Fund. This is an area that the SMP Compliance Unit will need to be actively involved.
- There needs to be a concerted effort in looking at how the sector is organised, particularly on the employer body side. Currently, there exists too many individual organised bodies that at times pursue and lobby for competing interests, making the coordination of projects associated with the SMP (and others) difficult to implement.
- What is needed is an organisation that takes the lead on the SMP and is supported by all the other organisations. SEIFSA is ideally placed to play this important apex role.

Conclusion

There are a number of areas with clear to-do list and action plans that the industry must collaboratively undertake to ensure the successful implementation of the Steel Industry Master Plan.

Everyone who attended the conference – captains of industry, senior members of government and union leaders must stand together in wanting the SMP to succeed, though employers have a particularly important role to play.

To follow on with the *orchestra* analogy, which came up a few times, along with the *bring 'n braai*, who should be the conductor of the SMP orchestra? As a body representing its eighteen Employer Associations – both upstream and downstream – SEIFSA has a long-established track-record of successfully representing the interests of its membership. Hence, SEIFSA is ideally placed to champion the aspirations of the Steel Master Plan. However, championing the Metals and Engineering Sector recovery and growth path is not a solo pursuit it requires the active involvement, participation and attention of all stakeholders. By working together, the objectives of the SMP can be realised.

The Steel master plan Conference was a successful two-day event, with participants leaving with a renewed appreciation of the plan and, importantly, the work that needs to be done.

Ends.