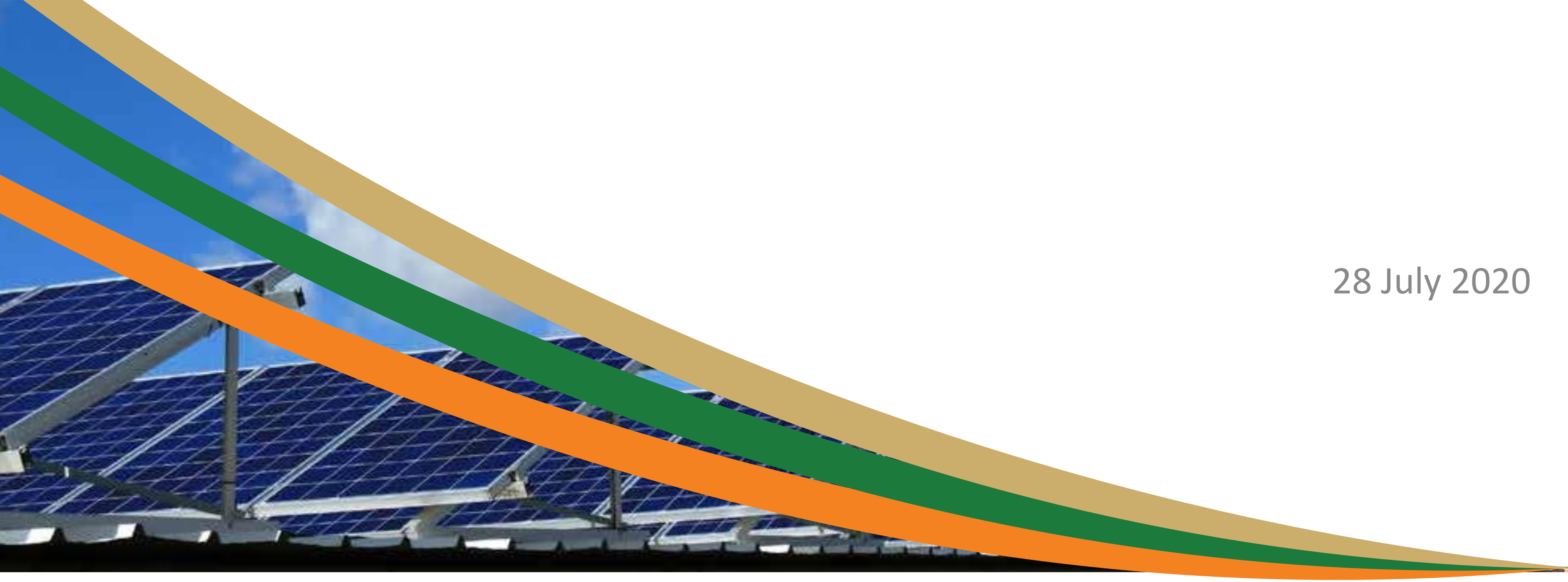
Briefing to the Portfolio Committee of Trade and Industry on the Developments in the Steel and Sugar Industries



28 July 2020

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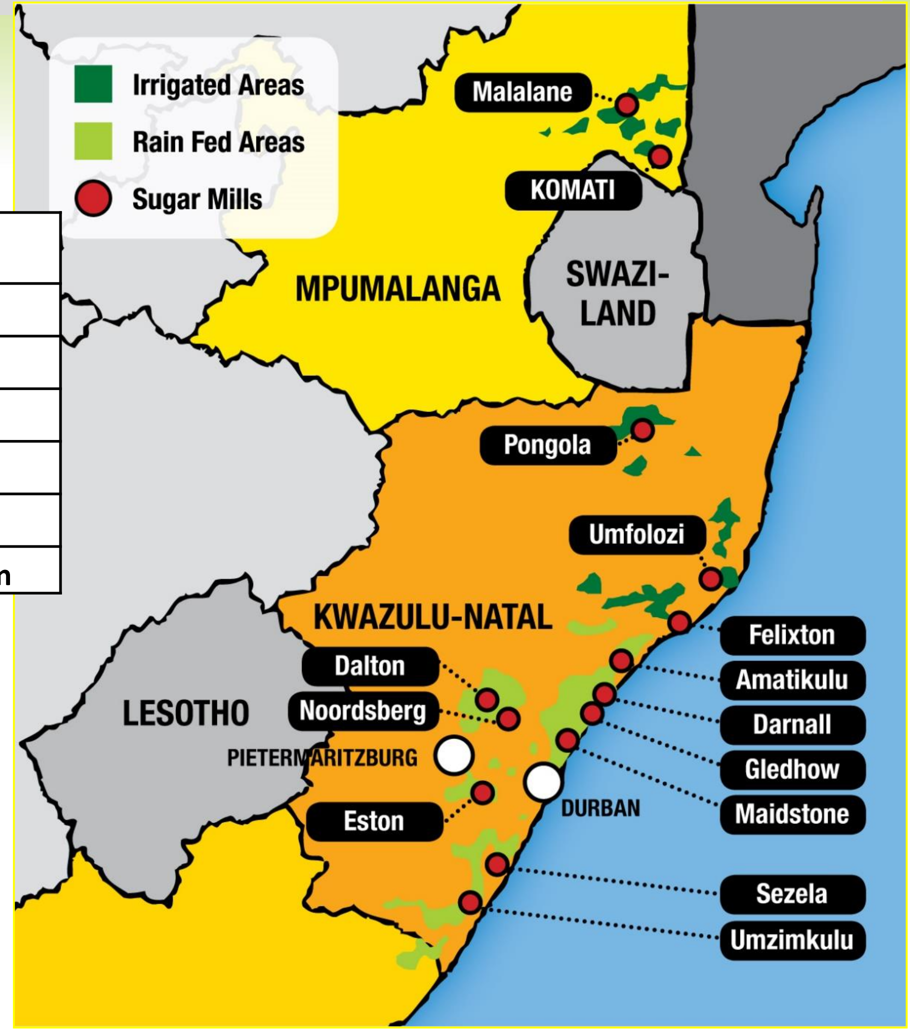
SUGAR INDUSTRY : CONTENTS OF THE INPUT

1.1 BACKGROUND ON SA SUGAR INDUSTRY

Key Industry Variables	
Number of sugarcane farmers	22 500
Area under Cane	365 000
No of Sugar Mills	14
Direct jobs	85 000
Indirect jobs	350 000
Contribution to GDP	R16 billion

- 1 000 hectares = 133 permanent + 210 seasonal jobs
- Since 2013/2014, 5 831 jobs have been lost



1.2 STATE OF THE SUGAR INDUSTRY

- Shrinking Market: SA share of SACU local market shrunk from 1.6 to 1.2 million tons – the lowest since 1983

- Slowly shrinking SA sugar industry – mainly in KZN
  - Area under cane has shrunk by 70 000 ha from 430 000 ha in 2000 to current 360 000 h – loss 2% per annum – the lowest since 1983
  - Shrinking slowly – 10 year crop – farmers stop investing or switch
  - Marginal growers going out of business

- Milling and refining over capacity increasing

- Job losses in both growing and milling sector

- Urgent diversification to prevent further shrinkage and create sustainable industry

- Financial sustainability prerequisite for meaningful transformation

1.3 KEY CHALLENGES FACING THE SUGAR INDUSTRY

- The global sugar price has declined below local cost of production – with no real prospect of improvement

- The Health Promotion Levy (HPL, commonly known as Sugar Tax) and eSwatini imports have significantly reduced demand for locally produced sugar resulting in:
  - 50%+ of raw sugar currently exported at a loss
  - 20-40% excess capacity in milling and refining

- Majority of growers and millers are losing money, many under severe pressure:
  - Likely acceleration of small-scale grower exits
  - Despite disincentives, unmanaged unilateral capacity reduction a possibility

1.4 REGULATORY FRAMEWORK OF THE SUGAR INDUSTRY

- The South African sugar industry is regulated within the wider context of the following regulatory framework:
  - Sugar Act No 9 of 1978;
  - Sugar Industry Agreement of 2000; and
  - SASA Constitution

- The regulations are reviewed from time to time to ensure that the industry meet the following objectives:
  - To improve the competitive environment in which the industry operates in a manner that will contribute to the optimal development of the industry and inclusive growth
  - To ensure the long term cost competitiveness of the industry
  - To ensure transformation, growth and sustainability of the Sugar Industry

1.4 MINISTERIAL PREROGATIVE TO CHANGE REGULATIONS EMANATING FROM THE SUGAR ACT

Relevant Legislative Provisions:

- 2(1) The Association known as the South African Sugar Association shall under that name, with effect from the date of commencement of this Act, be a juristic person with a constitution of which the terms shall be published by the Minister by notice in the *Gazette*. (2) The Minister shall in like manner publish any AMENDMENT of the said constitution

- 4(1)(a) The Minister shall after consultation with the Association determine the terms of an agreement to be known as the Sugar Industry Agreement, which shall provide for, and deal with, such matters relating to the Sugar Industry as are, in the opinion of the Minister in the interests of that industry but not detrimental to the public interest

- (b)(i) the Minister may at the instance of, or after consultation with, the Association, AMEND the agreement if the Minister is satisfied that such amendment is in the interests of the Sugar Industry and not detrimental to the public interest

1.5 AMENDMENTS TO THE REGULATIONS

- The industry was previously governed under transitional arrangements which came into effect 1 April 2018 and expired on 30 June 2020

- On 23 June 2020, amendments to the Sugar Industry Agreement and South African Sugar Association Constitution were gazetted, providing for a new transitional period from 1 July 2020 until 31 March 2024 or any later date determined in terms of clause 15(5)

- The key amendments to sugar regulations include the following:
  - **The affairs of the Association** shall be administered by a Council consisting of an independent Chairperson who meets the requirements set out in clause 15(9) (b) and 3 Vice-Chairpersons
  - **Membership**: The members of the Association shall be the South African Sugar Millers Association (SASMA), South African Cane Growers Association (SACGA) and South African Farmers Development Association (SAFDA)
  - SACGA and SAFDA shall each comprise half of the Growers' Section and shall collectively comprise the Growers Section.
  - **Grower representation in SASA** will be shared equally by SAFDA and SACGA

1.5 AMENDMENTS TO THE REGULATIONS

- **Growers Statutory Costs** means for the first year of the Transitional Period, the amount calculated by the sum of the costs of SACGA and SAFDA respectively approved by the Association's Council for the 2019/2020 season, escalated on 1 April 2020 by a rate equal to the year- on-year change in the headline consumer price index

- **Voting** - All questions arising at general and special meetings of SASA shall be determined by a majority representing at least two-thirds of the delegates present at the meeting, provided that such majority includes at least 1 vote from the Millers Section and the Growers Section. Furthermore, the votes from the Growers Section must include at least 1 vote by a delegate representing SACGA and at least 1 vote by a delegate representing SAFDA

1.6 SUGAR MASTERPLAN APPROACH AND PRINCIPLES

- Parallel to finalizing the new legislative framework, a masterplan process was convened with the co-chairpersonship of Minister Didiza (DALRRD). The masterplan seeks to create a diversified and **globally competitive, sustainable and transformed** sugarcane-based value chain that actively contributes to SA's economic and social development, creating prosperity for stakeholders in the sugarcane value chain, the wider bio-economy, society and the environment

- The process entitled extensive engagement and consultation amongst sugar industry stakeholders and social partners, particularly small and large cane growers, millers and refiners, retailers, industrial users of sugar and sugar-derived products, as well as workers and government

- The masterplan, which create pragmatic strategies with a bias for action, is now finalized and agreed to by all participating stakeholders at a meeting that took place through video-conference on 08 April 2020

- A phased implementation approach has been agreed upon to ensure agility and speed to implementation and alignment to market condition

1.6 SUGAR MASTERPLAN APPROACH AND PRINCIPLES

- Success depends on:
  - Focus on the national interest
  - Commitment to shared governance and implementation
  - Specific stakeholder commitments
  - Commitment to transformation and inclusive diversification
  - Appetite for risks
  - Agility in implementation

1.6 SUGAR MASTERPLAN AND PROPOSED INTERVENTIONS

- The sign off event would be organized following the lifting of the COVID 19 Lockdown
  - 7 Task Teams will be established
  - An Executive Oversight Committee and Implementation Office will be implemented
- The Competition Commission Exemption Framework required for the implementation of the term diversification strategy has advanced and is to be finalized and gazetted
- Cognisance was taken of the need to update the Masterplan in line with changes imposed by the COVID 19 pandemic and this is provided for in the living nature format of the document adopted

1.6 SUGAR MASTERPLAN PROPOSED INTERVENTIONS

Phase 1: Stabilisation

- Restore local market and off take agreements
- Producer price restraint & certainty – commitments by producers to restrain price increases in line with inflation
- Product tax policy certainty – HPL is a complex matter, however engagements with SARS & industry are ongoing
- Small scale grower retention – SASA R1bn committed towards transformation/ small scale farmer development over a five (5) year period. R200m is allocated for 2019/20 of which R142m will be to support black sugar cane farmers

Phase 2 : Managed industry restructuring plan (including right-sizing & varied income streams)

- Diversification of income streams: biofuels regulatory framework approved by cabinet, sugar approved as one of the feedstocks
- Implementation modalities are being developed through the DoE-Biofuel Task Team

1.7 IMPACT OF COVID 19 ON SUGAR INDUSTRY

All South African agriculture continued to operate at 100% during both stages 5 and 4 of the COVID 19 and some of the readjustment process may have contributed to a slow down across the value chain. Some of the effects include:

- The meeting to sign off and kick off implementation of the Sugar Industry Masterplan was delayed
- Markets interruption due to; all SA ports were closed for exports including exports of sugar for other markets outside the African Region
- closure of some traditional markets for SA sugar, controlled shopping hours, prohibition of operation of local users of sugars e.g. restaurants

South African Sugar Millers' Association

Milling companies have adopted all the regulated and best practise procedures to try and minimise the risk of COVID-19. These measures have had a significant impact on operating costs and have had an negative impact on efficiencies.

- Sales of sugar industry downstream products, e.g. alcohol and furfural remain constrained by the regulations and impediments at local and international ports.
- Access to development funding, which negatively impacts land reform and small-scale growers
- Due to travel restrictions labour cannot move freely between Provinces, creating shortages in certain key categories e.g. cane cutters.
- SASA has made a contribution to the Solidarity Fund in an amount of R5 million.

1.7 IMPACT OF COVID 19 ON THE SUGAR INDUSTRY

South African Farmers Development Association

- The acquisition of PPE required under COVID-19 health and safety guidelines adds costs to the farming bill for black farmers but it is understood to be important in order to save lives. Through the facilitation of the SASA External Affairs, materials for hand hygiene have been donated by government to our farmers, this will help to reduce these costs.
- COVID-19 restrictions have limited movements between Provinces and make it difficult for SAFDA to make grower issues effectively.
- Faced with technological challenge such as holding meetings via Zoom, Microsoft Teams, Good Meet, Skype, etc. and theft of ripe sugarcane by communities.

South African Canegrowers' Association

- By being allowed to operate, the growers could continue with the harvesting operations, meaning that the entire supply chain could function.
- This includes paying wages to farm workers, so that they can support their families and making use of other input suppliers, such as hauliers, maintenance teams, irrigation companies, fertiliser and chemical companies for their services. Without this allowance, thousands of people in rural KZN and Mpumalanga would have been negatively affected by COVID-19.
- Growers would welcome further support and assistance of the sector to cushion the impact, this is of particular relevance to our vulnerable small scale growers.

1.8 SUGAR INDUSTRY WAY FORWARD

- The master plan has been created to enable growth in the sugar industry, given the crisis within the industry that is threatening thousands of jobs

- The Sugar Masterplan sign off event would be organized following the lifting of the COVID 19 Lockdown:
  - 7 Task Teams will be established to drive implementation
  - An Executive Oversight Committee and Implementation Office will be established

- The industry has further been designated in terms of the Competition Act for an exemption, which will allow industry stakeholders to begin working together to implement the masterplan

2. DEVELOPMENTS IN THE STEEL AND METAL FABRICATION INDUSTRY, INCLUDING GOVERNMENT RESPONSE TO THE AMSA PLANT CLOSURES

2. STEEL & METAL FABRICATION SECTOR: CONTENTS OF THE INPUT

2.1 STEEL & METAL FABRICATION SECTOR: POLICY CONTEXT

- The beneficiation of South Africa's raw materials is a major thrust of its industrial policy and linkages can be strengthened by developing manufacturing capabilities throughout the steel supply chain

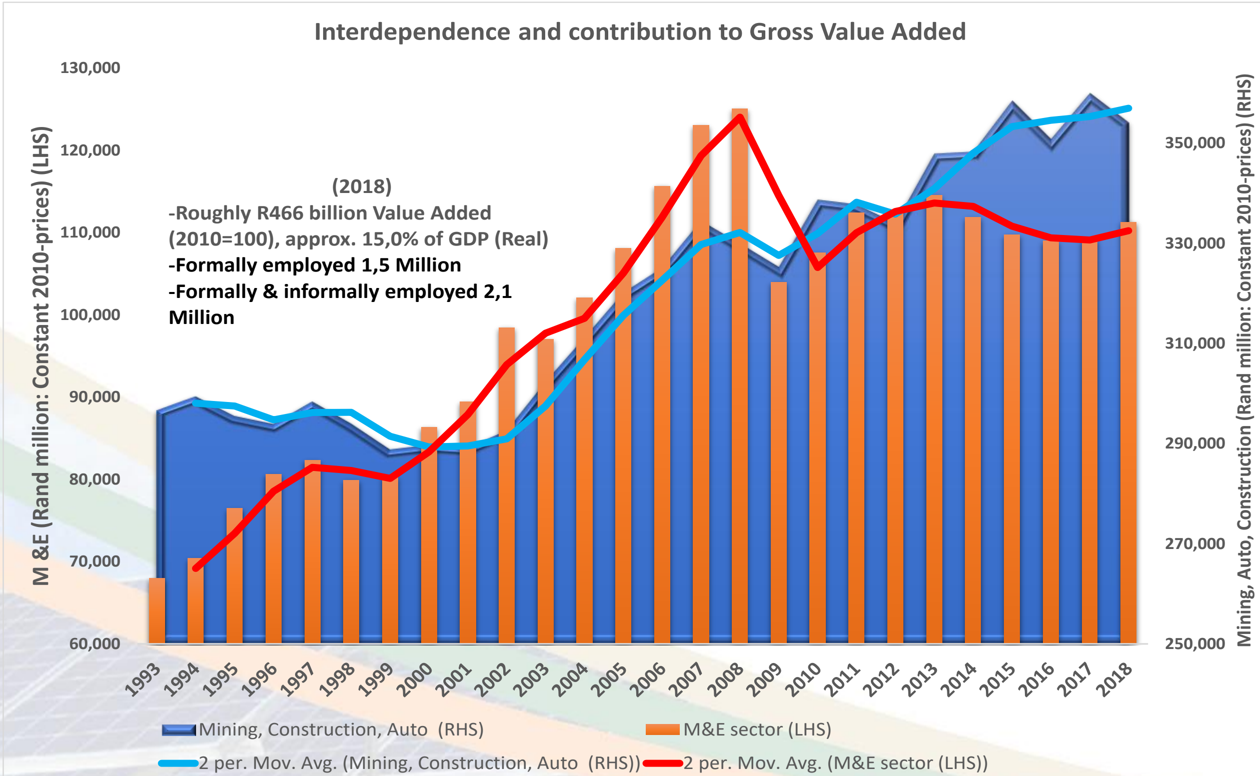
- Scope for development within the steel supply chain can be found between mining, construction, infrastructure, automotive, packaging and capital equipment

- Due to the enormous backward and forward linkages, the value chain is central to any industrialisation path and is a key driver of competitiveness

- The carbon- and stainless-steel fabrication sector is fundamental to manufacturing in SA, with products and applications used across the entire economy

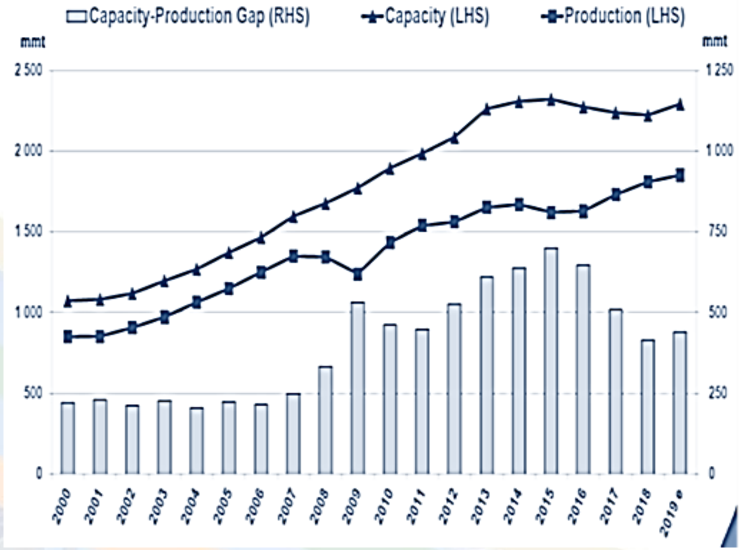
- Re-imagined industrial strategy – prioritises steel value chain

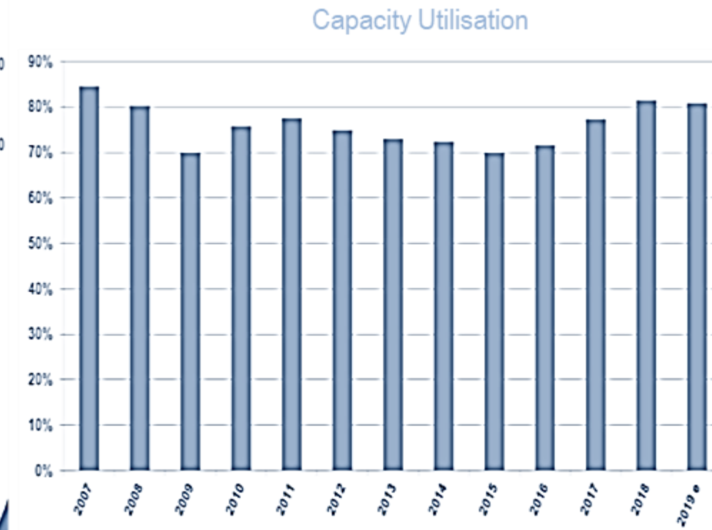
2.1 STEEL VALUE ADD TO GDP



Sources: SEIFSA, Jan 2020; Stats SA, Jan 2020

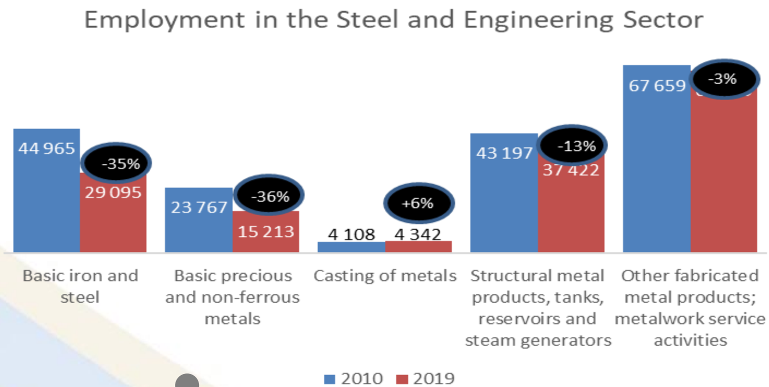
2.2 GLOBAL CHALLENGE: CRUDE STEEL MAKING CAPACITY AND PRODUCTION

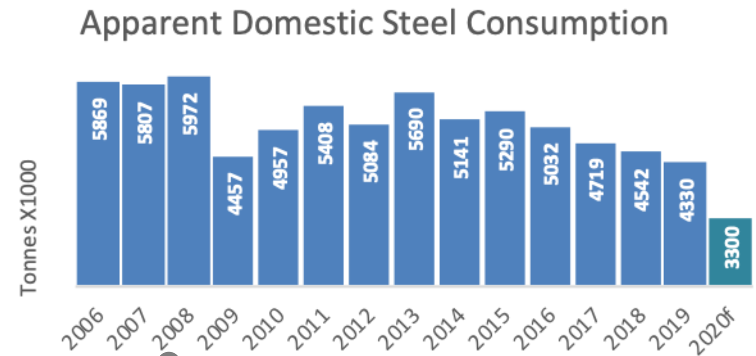




- Excess steelmaking capacity of about 440 million tonnes continues to be the biggest challenge in the global steel sector, particularly considering the slow global economic growth. Increasing price volatility, global trade, margin pressure and rising debt are creating difficult operating conditions for steel makers and steel manufacturers ➔ developing economies , including SA, are disproportionally affected
- Primary and Value-added products are equally challenged by the surplus supply
- Covid-19 impact: excess capacity aggravated - mills have not reduced production, looking to sell at low prices to raise cash

2.3 SA Carbon Steel Value Chain 2019





SA Steel Consumption @ less than 4.5 mt

FTE Employment June 2019e

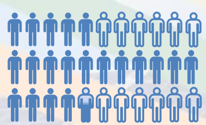
Distribution of primary steel

01

Construction -30 000 yoy (-4.7%) in 06/19

Manufacturing -15 000 yoy (-1.2%) in 06/19

Mining -1 000 employees yoy (-0,2%) in 06/19



Stats SA P0277

- Construction 498 000
- Manufacturing 1116 000
- Mining 458 000

02

52% of all steel goes to Construction

16% to Fabricated Metal Products

10% to Automotive

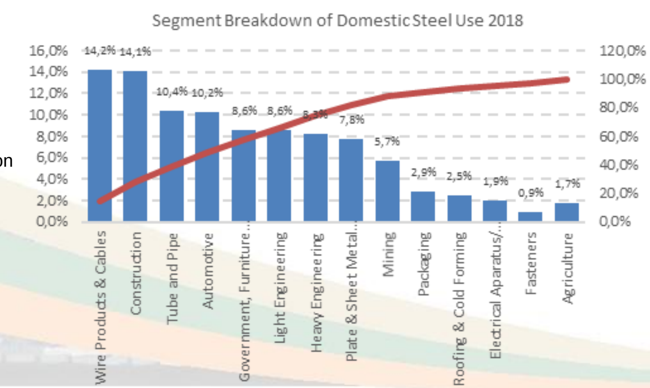
10% to Machinery & Equipment

12% to Other

03

Steel demand contracted for the second year in a row, while imports maintained at 1 million tonnes

SA Surplus steel making capacity now at 3.5 mt



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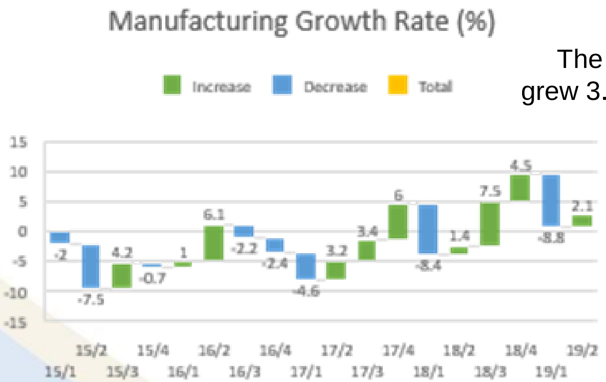


The manufacturing industries grew 3.1% over the last 5 years

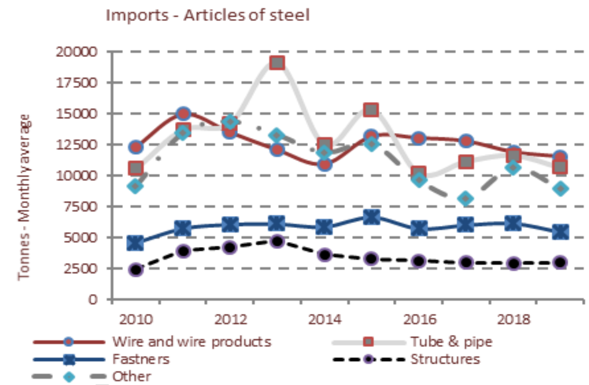
20% of domestic steel consumption

Imports of primary steel

05

Growth in Manufacturing GDP

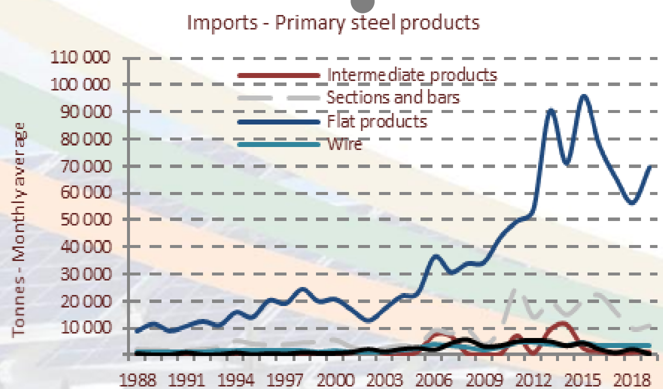
04



Manufactured Imports

1.7 mt in steel equivalent value-added products are imported

06



2.3 KEY CHALLENGES FACED BY THE SECTOR

- Reduced infrastructure spending has decreased demand for steel
- Chinese and global over-capacity and over-production is resulting in low prices of both primary steel value added products → increased imports
- Reduced domestic and global competitiveness exacerbated by steep increase in production costs (raw materials, electricity, logistics)
- Limited investment in plant, technology, skills
- Increased deployment of trade remedy measures globally – declining export markets
- Capacity under utilisation – plant closures and job losses

2.3 COVID-19 IMPACT AND MEASURES TO SUPPORT THE SECTOR

- The pandemic and the lockdown have accelerated the effects of low demand, over capacity, weak balance sheets and liquidity challenges impacting the viability of an industry that was already in distress.
- Slow ramp-up in production from Level 4: large mills require volumes to start-up and mini-mills started up slowly impacted by scrap shortages
- Steel prices are forecast to fall while domestic steel consumption is expected to be below 3.3 million tons for 2020 (26% drop) down from 4.5 million tonnes in 2019
- Industry focused on restoring liquidity, preserving the limited orders and supply chains

Measures

- Relief funding for companies in distress - support for smme's, tax relief
- Limiting imports to enable companies to ramp-up production to supply domestic markets

2.4 KEY INTERVENTIONS ALREADY PROVIDED TO THE SECTOR AND ARE CONTINIUING

1. **Trade support** provided:
   - Increase in the general rate of customs duty on primary steel products to 10% and safeguard measures on hot rolled coil and plate products
   - 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 added before export
   - SARS reference price system developed for steel products to address low priced imports and inter-agency working group established to tackle illegal trade

2. The use of **local procurement** by government to boost aggregate demand:
   - Undeemed primary steel in the early rounds of designations to encourage the use of locally manufactured primary steel
   - All major steel intensive products are designated under the PPPFA

2.4 KEY INTERVENTIONS ALREADY PROVIDED TO THE SECTOR AND ARE CONTINIUING

3. In 2017, established a R1.5 bn **Steel Competitiveness Fund** to support upgrading, working capital requirements, investments and key downstream steel sectors in distress. Over the current MTEF, R100ml additional support has been secured which will improve the lending rates and term conditions for the fund

4. Various **support measures to AMSA** – SA major steel producer and a monopoly in flat steel production (i.e. Saldanha Steel intervention that has not prevented a closure: further details on slides 30 & 31)

5. **Highveld Steel** intervention that saved a major industrial complex – slides 32 & 33 and intervention in **Scaw** to maintain strategic capability and capacity in primary steel, grinding media and cast products for rail and mining

2.4 KEY INTERVENTIONS ALREADY PROVIDED TO THE SECTOR AND ARE CONTINIUING

6. From 2013, with ITAC as the administer, the **Price Preference System (PPS)** has been implemented to ensure availability of good quality scrap metals for further processing in the domestic market as measure to support steel mini mills and the foundry industry ➔ to be replaced with an export tax –announced by Minister Tito Mboweni during the 2020 Budget Speech, implementation modalities are underway, NT initiated the industry consultation processes. On 3 July 2020, a new directive was issued for an urgent investigation of the PPS with an interim suspension of scrap exports for a period of 2 months to ensure availability of affordable good quality scrap metals for mills and foundries impacted by the shortages as a result of the national lockdown

7. 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

2.5 SUPPORT OFFERED TO AMSA: SALDANHA

- In June 2019, AMSA announced the intention to retrench 2 000 employees
- Subsequently they advised they may close Saldanha steel works and possibly Newcastle
- Saldanha plant produces a unique product (thin gauge coil) consumed mainly in the export markets, with more than 70% supplied to the African continent. The mill is unable to compete with giants like Chinese steel in West and East Africa
- Government initiated meetings with AMSA, NUMSA and Solidarity to explore plans to save jobs including a short suspension of the retrenchment process
- AMSA wanted R4 billion savings on their annual cost base from suppliers and labour
- Government secured commitments in excess of R500m from Eskom, Transnet and Kumba; and labour productivity commitments from Numsa and Solidarity; but AMSA rejected this as insufficient to save the plant
- The plant is under care and maintenance as at end March 2020

2.5 SALDANHA: INTERESTED PARTIES

- To date government has urged AMSA to engage with interested parties in acquiring or partnering with the company to save Saldanha and maintain jobs

- Engagements with 3 potential parties were initiated but the results to-date are not positive:
  - A BEE partner who could potentially bring in the cost-saving support
  - A downstream player that has synergies with the Saldanha plant
  - A mini-mill player with iron-ore mining resources

- **The DTIC** will continue to engage and support all efforts to save Saldanha, including participating in the Western Cape Government initiatives including to develop a proposal on re-purposing the plant and setting up an Industrial Park similar to Highveld

2.6 HIGHVELD INDUSTRIAL PARK

- Highveld was established in 1966 as an integrated steel manufacturer and a leader in vanadium production owned by Anglo American

- In 2007, Evraz acquired Highveld Steel but later experienced sustained financial losses due to both operational and market factor resulting in Highveld being put into business rescue in April 2015

- This resulted in 2 000 workers losing their jobs and Highveld closing down, EDD then held discussions with AMSA to restart the structural mill using blooms from Newcastle as input.

- The restart was supported by a R150 million loan from the IDC, resulting in the structural mill being reopened with 250 workers and given the quality of the blooms Highveld was also able to produce railway lines

- Given the available water, energy and gas supply, the balance of the Highveld property was converted into an Industrial Park, which currently houses 52 tenants of which 34 are Black industrialists employing a total of 1 597 people

2.6 HIGHVELD INDUSTRIAL PARK

- AMSA has now bought the structural steel mill and discussions have been initiated between AMSA, Transnet and the IDC to form a joint venture to localize the production of heavy rails and meet the rails technical specifications for mainline and heavy haul dedicated rail lines. The rails are currently imported by both Transnet and Prasa ➔ significant import replacement opportunity

- The railway siding at Highveld is the second largest in the country and now supports junior miners who don’t have access to the Richards Bay coal terminal to export their coal using Highveld as a storage site, since the opening of the site in December 2016, 3.2 million tons of coal have been moved from Highveld for exports.

- The DTIC is working with Highveld to restart the four iron processing plants, to this end, Highveld has reached agreement with SAIL Mining to process chrome into ferro-chrome on behalf of SAIL which will get one of the iron plants working, DTIC is also participating in the Mapochs merger, requesting that the Competition Tribunal place a condition on the buyers of Mapochs to supply vanadium ore to Highveld, it seems that agreement will be reached shortly, which will result in Highveld re-opening the second iron plant

TENANT OVERVIEW

- Letholwazi Trading & Projects
- JD Fuel
- Tjhudeka Hospitality
- ZTC Zithembile Consulting
- Highveld Sandblasting & Engineering Services
- Nasonti Sprint
- Vanchem Vanadium Products Duferco Group
- Zamasezane Services (PTY) LTD
- Phambili Services (PTY) LTD
- Highveld Laboratory Services
- Ntofo Engineering Services c.c.
- SSCP Structural Steel Coil and Plate
- M&E Matsemane Electrical PTY LTD
- MDI Heavy Engineering — We will move mountains for you
- GMP
- HMS
- TEE JAY Architectural Solutions
- Green Output Solutions (Pty) Ltd
- Izazi Electrical Engineering
- Veppes Originals
- Desketh
- Yethembe Group
- MPH Training Centre
- Rekatrade 1075
- TIE Engineering and Supplying Services (PTY) LTD
- NKG Trading & Investments
- Fuwela Consulting (PTY) LTD.

HIGHVELD INDUSTRIAL PARK

14

TENANT OVERVIEW

H PISTORIUS & KIE

BROKKR

MAKOYA SUPPLY CHAIN HOLDINGS

AFROX

AIR LIQUIDE

Sable Coal

TOTHEDETAIL (PTY) LTD

DBS DYNAMIC BUILD SYSTEMS

HIGHVELD STRUCTURAL MILL

ArcelorMittal

ZAMANI Engineering Services cc

PPC

ZEDEK TRANSPORT SERVICES

INTERFACE

BROAD SPECTRUM MINING

ZTE Zithembile Engineering

Real Tree Trading 1 (PTY) Ltd

VR dragline

LUMA

KPS

NOVO™ ENERGY

MD MOREKI DISTRIBUTORS cc

MAZICORE HOLDINGS

Zihula Holdings (Pty) Ltd

HIGHVELD INDUSTRIAL PARK

EXAMPLES OF STRUCTURES BUILT WITH HIGHVELD STEEL SECTIONS

Moses Mabhida Stadium, Durban

Nelson Mandela Bridge, Johannesburg

Kendal Power Station, Mpumalanga

Mining Shaft Under Construction, Mpumalanga

Gateway Shopping Centre, Umhlanga Rocks

Gautrain, Gauteng

HIGHVELD INDUSTRIAL PARK

SIGNIFICANT INVESTEMENT IN ONSITE TRAINING

- More than 136 community members Basic Computer Training Course since November 2017.
- Current capacity to train 2,000 people per annum at on-site training centre.
- New business recently opened which will utilise existing training infrastructure to perform training on a number of skill sets.
- 37 Apprentices from the National Youth Development Agency currently undergoing training on site.


Basic Computer skill training


Highveld Industrial Park training center

HIGHVELD INDUSTRIAL PARK

2.7 GOVERNMENT INTERVENTIONS IN SCAW METAL

- IDC acquired SCAW Metal from Anglo in 2012, the investment was seen as both strategic and defensive to secure local supply for infrastructure build programs whilst curbing the pace of de-industrialization. This investment resulted in the protection of a very strategic local manufacturing asset, thus saving it from asset stripping

- IDC recognizes its limitation wrt to the management and operation of the plant and it was always its intention to introduce Strategic Equity Partner(s) to turn-around the business

- Given the diversified nature of SCAW, the IDC was unable to find a single buyer, as a result SCAW unbundled into 3 units and brought strategic equity partners:

  1. **SCAW Metal**: The balance of the SCAW business making up 70% of the original business was sold to the Barnes Consortium, a local steel business with their BEE partner. IDC holds no further interest in this business which employs some 2 500 people. The Group has been able to turn the business around due to integration with other steel businesses owned by the Group

2.7 GOVERNMENT INTERVENTIONS IN SCAW METAL

2. **Grinding Media** SA (Pty) Ltd: specializes in High Chromium media and Forged media balls used in the mining sector. Magotteaux, a Belgian international grinding media business with long standing licensing relationship with SCAW bought 41% of the business (IDC holding 59%)

3. **Cast Products** SA (Pty) Ltd (now changed to Amstead Foundry Solutions - AFS) : specializes in cast products used in mining, rail, power and general engineering. Amsted Rail, an American partner, took 15% equity (IDC 85%) with the intention of managing and turning the business around after which it will acquire majority shareholding. Today, 960 people are employed

– In view of the designation of the Rolling stock Sector, this business remains a national champion for the manufacturing and supply of railway wheels, bogie casting, locomotive frames and coupler castings to Transnet and private sector
– Amstead Rail continues with the technology transfer program to AFS, resulting in increased product quality, production efficiencies, faster and more technical product approvals and increased access to international markets
– To date, AFS continues to export about 4 locomotive bogie frames to North America, equating to 1500 tons of steel/annum. Additional work is also being done for the export of bogie castings
– Local Foundries and Forging companies that supply products to AFS continues to benefit, i.e. Met Cast (bogie assemblies), Rely Intra Cast (various castings); Bench Forge (Knuckle pin for Couplers) and others

2.8 PROPOSED EXPORT TAX ON SCRAP METALS

- Commitment to an export tax on scrap metal was announced during the 2019 Job Summit to improve the availability of better-quality scrap metal at affordable prices for domestic foundries and mills

- An independent impact assessment was done on the export tax and found a significant net benefit. ITAC completed its review of the export tax and recommended its implementation

- A Price Preference System has been in place as an interim measure to support the local beneficiation of scrap metal (to be extended up until December 2020)

- Export tax was announced by Minister Tito Mboweni during the 2020 Budget Speech, implementation modalities are being finalised. Industry/public consultation processes will be in 2 phases:
  - The first phase was initiated by NT but is delayed due to Covid-19
  - The second phase will commence with the publication of the Taxation Laws Amendment Bill

2.9 STEEL & METAL FABRICATION SECTOR MASTER PLAN PROCESS

- A lot of engagements have been held with industry in developing the existing at the short-term interventions provided to the steel value chain. The process to develop the Masterplan in addressing long-term growth, sustainability and transformation in this key value chain is well underway.

- We continue to partner with labour to effect the social compact – Phase 1 to be completed within this financial year:

  - The Masterplan aims to support the medium to long-term growth, development and sustainability of the value chain, although in the short-term there urgent need to assist the value chain to cope with covid19 impacts
  - Turnaround action-oriented plan based on identified competitiveness improvements, measures to increase demand, reduce levels of imports and reposition the industry to be resilient under the intense global pressures
  - Through the masterplan process, action plans and reciprocal commitments to be secured and implemented with business and labour in stages, in order to move with the requisite urgency to boost growth and support job retention in the value chain

Thank You