



**the dtic**

Department:  
Trade, Industry and Competition  
REPUBLIC OF SOUTH AFRICA

**THE NATIONAL ASSEMBLY  
QUESTION FOR WRITTEN REPLY**

**QUESTION NO. 1764**

**Mr D W Macpherson (DA) to ask the Minister of Trade, Industry and Competition:**

- (1) With regard to the recently introduced ban on the export of scrap metal that he imposed, (a) who approached him for the ban and (b) what arguments and/or supporting data were presented in support of the request;
- (2) whether any (a) studies were commissioned and/or (b) of the upstream generators and collectors of scrap were consulted before the decision was made; if not, what is the position in this regard; if so,
- (3) whether there is any possibility of the ban being extended beyond two months; if not, what is the position in this regard; if so, what are the relevant details?

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**REPLY:**

On 3 July 2020 I issued a Trade Policy Directive to ITAC to urgently investigate the demand-supply imbalance in the scrap metal industry as a result of COVID-19. The objective of this investigation is to determine appropriate amendments to the Price Preference System (PPS) guidelines, which can address the shortage in affordable good quality scrap metal. During the two-month period of the investigation, a temporary restraint has been placed on export of scrap metal unless ITAC determines that it cannot be used by the domestic processing industry.

The decision was taken following representations made by scrap consuming industries including local mini-mills and foundries. They advised their production facilities were on short-time as insufficient scrap metal was being made available by scrap suppliers, while at the same time they stated that many trucks containing scrap metal were being moved to port cities. Several steel mills requested government to help the sector source affordable scrap in sufficient quantities and quality to protect their businesses and jobs.

The downturn in global manufacturing resulting from COVID-19, as well as regulatory actions elsewhere, have led to the amount of scrap metal available locally and internationally being reduced and, as a result, prices have increased sharply.. The Steel Industry and their associations presented information to **the dtic** on the impact of the shortages of scrap on their businesses, given high fixed cost of operating a steel plant it is considered unsustainable to operate with only 60% to 70% of their monthly scrap requirements.

Annexure A provides a list of companies and associations that made submissions to **the dtic**. Excerpts from the South African Iron and Steel Institute (SAISI) and Business Unity South Africa (BUSA) submissions are provided below.

SAISI stated in their submission that, “The current rate at which scrap is collected and offered to the steel producers is also very much impacted by the COVID19 situation creating substantial shortage of ferrous scrap which resulted in having to place employees on short time as almost all electric furnace producers only receive less than 60- 70% of their input requirements.” Referring to the PPS export permits, SAISI stated: “Furthermore, there are various technical difficulties in the process which lead to all sorts of behavior to the detriment of the industry.” The Institute further urged “the Minister to stop the export of ferrous scrap on the interim in support of the steel producers in getting their full scrap input requirement. This will also assist the industry to emerge from the recent lockdown situation much sooner.”

BUSA’s submission indicated that, “The South African metal industry is faced with a number of challenges attributed to both global and domestic market developments, including a significant price increase for all main inputs in the

sector...” They further stated that, “Producers in the secondary metals industry do not have sufficient access to scrap metals owing to the high cost of the raw material. The prices charged by the local scrap merchants are based on export parity pricing, thus forcing local foundries to pay the highest and unaffordable world prices for local scrap material.”

**the dtic** engaged and received inputs from industry as well as conducted its analysis of the situation. The findings are supported by a recent report of the Global Forum on Steel Excess Capacity, which confirms that the upstream impact of COVID-19 on supply chains has been more disruptive for steel scrap operations that rely on end-of-life steel-containing goods and offcuts of steel-consuming manufacturing processes. Scrap-generating activities were curtailed by lockdowns and subdued economic activity.

In order to act with due speed given the challenges faced by the downstream industries involved in industrial activity in South Africa, the ITAC investigation provides an opportunity for more detailed representations from all parts of the sector to be collated and considered carefully. **the dtic** received comments from upstream generators and scrap collectors.

The PPS and the export of ferrous and non-ferrous scrap has been temporarily suspended for a period of 2 months from the date of publication of the Directive on 3 July 2020. This is an interim suspension during the investigation of the PPS by ITAC. The investigation is expected to be completed at the beginning of September, by which time ITAC will make recommendations on how best to ensure a sufficient supply of affordable scrap metal for the domestic industry. I will then apply my mind to the recommendations.

## **Annexure A**

- **Scaw South Africa**
- **Cape Gate**
- **Unica Iron and Steel**
- **Fortune Steel**
- **Prorooft**
- **Cisco**
- **Coega Steel**
- **Veer Steel Mills**
- **Arcelor Mittal South Africa**
- **Grinding Media South Africa**
- **Reclamation Group**
- **Envirocycle**
- **Insimbi Aluminium Alloys**
- **Business Unity South Africa**
- **South African Iron and Steel Institute**
- **Southern Cross Foundries**
- **Autocast Non-Ferrous**
- **Red Scrap**
- **Metal Recyclers Association**
- **Speciality Metals**
- **National Foundry Technology Network**

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