



## NATIONAL ASSEMBLY

### ORAL REPLY

### PARLIAMENTARY QUESTION 337

**DATE OF ORAL REPLY: 3 December 2019**

#### **Mr E J Marais (DA) to ask the Minister of Trade and Industry:**

Whether there is anything that could still be done by the Government to prevent the closure of the Saldanha steel factory, which will close down soon and cause 900 people to lose their jobs? NO3026E

#### **Response**

AMSA announced on 11 November 2019 that it would be closing Saldanha Steel following what the company called an operational review of its asset footprint.

Saldanha Steel plays an important role in South Africa's industrial footprint. For the Saldanha region specifically, the steel works is an important source of employment and development as well.

South Africa is one of the only major primary steel producing countries on the African continent. The African Continental Free Trade Area (AfCFTA), which will come into effect in July 2020, is expected to open up additional demand for primary steel across the continent, as countries build the required infrastructure and factories needed to take advantage of the expected increase in intra-regional trade.

The steel sector has faced challenges in its operating environment due to global oversupply; however initiatives like the AfCFTA provide opportunities to drive increased regional demand for steel in construction, automotive manufacturing and mining. Ensuring that South Africa maintains its capacity in primary steel production is thus critical to seeing that the country benefits from these opportunities.

We have embarked on the process to develop a Masterplan for the Steel and Metals value chain in South Africa which will include both demand- and supply-side measures, and bring greater competitiveness and dynamism to the entire steel and metals industry. A number of initiatives are in progress to foster greater demand for



steel by both the public and private sector, and to improve the cost base across the industry.

In light of this, the closure of the steel mill will hamper efforts to rebuild the sector and will cause enormous hardships in the local community.

The Department urged AMSA to reverse this decision and find solutions which can keep Saldanha Steel in operation, and its workers in employment.

The Ministry subsequently met with the AMSA management to request the company to review its decision. There has been two areas of focus: to address concerns about the cost structures of AMSA; and to look at alternate buyers of the plant and equipment.

On the first focus area:

The Department of Trade, Industry and Competition together with the Department of Public Enterprises, Eskom and Transnet, engaged with AMSA management on support which could be provided to reduce energy and logistics costs for the company and at Saldanha, in particular. Government facilitated engagements with iron-ore and coal producers as well as organised labour to come up with solutions to reduce costs in order to avert job losses. The combined support package, offered by government ranged from concessions on iron ore pricing, electricity, water and rail tariffs, providing considerable cost savings. AMSA has asked for support, however, in excess of what was made available through the efforts of Government.

Government has, over the past few years, supported AMSA with tariff protection from imports including safeguard duties and the designation of steel for state infrastructure projects which directly benefitted the company. To support the entire steel and metals value chain, Government brokered a pricing agreement allowing the upstream steel mills to remain sustainable in the domestic market while providing a competitive fair price for the downstream industry.

On the second focus area:

The Ministry is aware of four potential buyers who are were considering making a bid for the steel-plant and met with AMSA to request that AMSA considers every effort to retain employment in Saldanha, including giving consideration to potential bids by other investors.



We are encouraged by these early expressions of interest in Saldanha Steel. If AMSA is still intent on closing Saldanha Steel, a decision we do not agree with, then nonetheless we urge the company to engage actively and openly with potential buyers, and to offer them terms that would enable operations at the steel-mill and employment opportunities to the local community.

**- END -**