



trade, industry
& competition

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

Draft Policy Proposals on Measures to Restrict and Regulate Trade in Ferrous and Non-Ferrous Metals Waste, Scrap and Semi-Finished Products to limit damage to Infrastructure and the Economy

Presentation to the Portfolio Committee on Trade, Industry & Competition
23 August 2022





CONTENTS

- Introduction
- The pressing problem of metal theft and its costs
- The scrap metal supply chain
- The theft of metal for scrap is driven by high demand and prices
- Measures that have been put in place in respect of scrap metal
- Measures other than increased police enforcement are necessary
- The international experience in restricting metal transactions
- The key proposals and their rationale
- The anticipated impact of the proposed measures
- The next steps

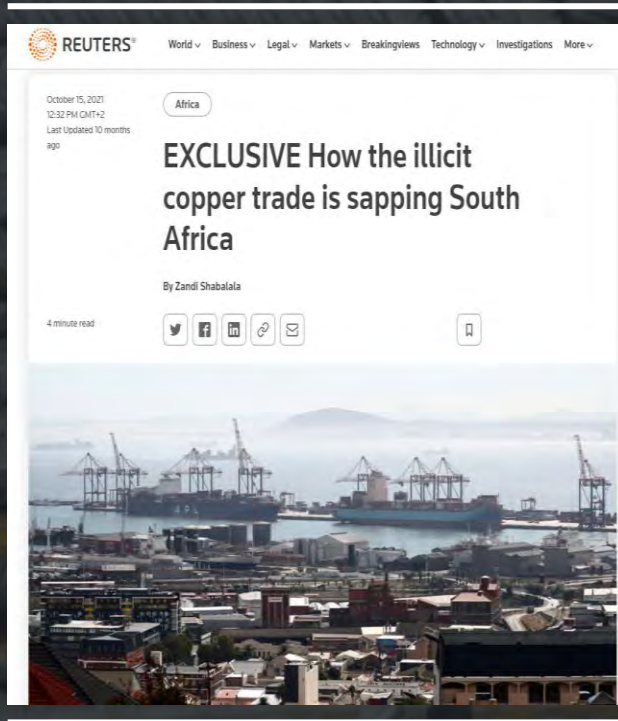
INTRODUCTION

South Africa faces a serious challenge from theft of metal and the associated impairment and destruction of infrastructure.

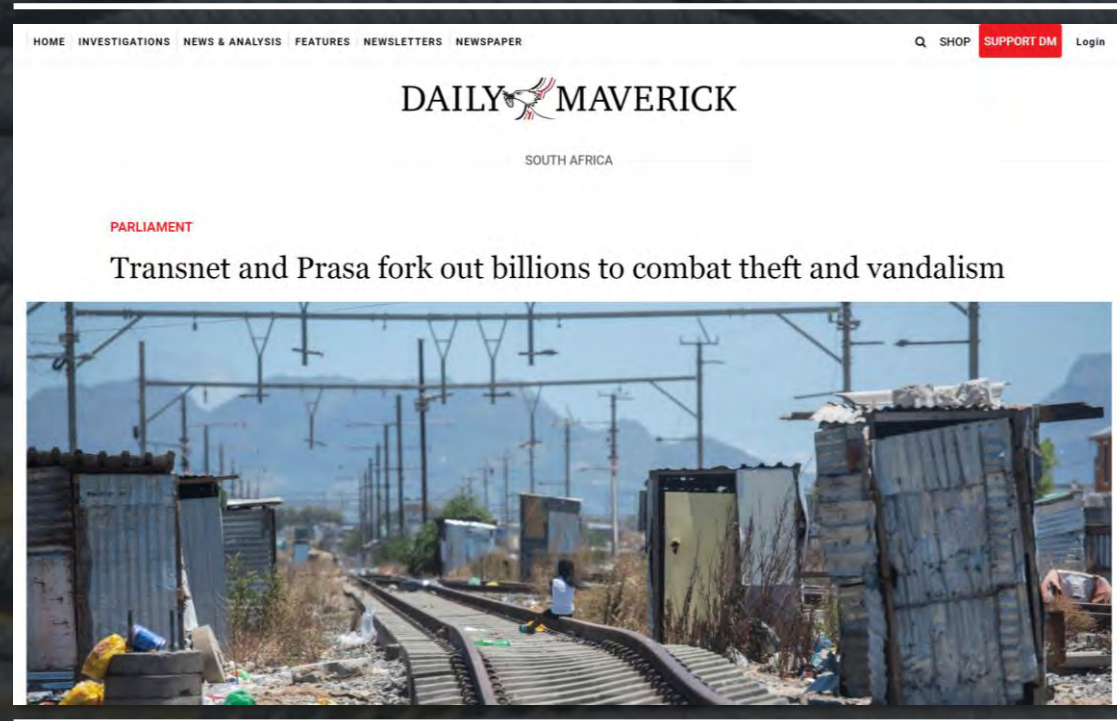
Theft of scrap metal, especially copper cable, imposes costs far beyond the actual value of the material taken.

These costs, mostly in the form of disruptions to rail transport and electricity, effectively cut production, inhibit economic growth and service delivery.

METAL THEFT: MEDIA REPORTS



Source:
<https://www.reuters.com/world/africa/exclusive-how-illicit-copper-trade-is-sapping-south-africa-2021-10-15/>



Source:
<https://www.dailymaverick.co.za/article/2022-06-08-transnet-and-prasa-fork-out-billions-to-combat-theft-and-vandalism/>



Source:
<https://mybroadband.co.za/news/security/441402-south-africas-copper-cable-thieves-have-their-own-schools-and-spy-on-court-cases.html>

COSTS OF METAL THEFT



COSTS

ECONOMIC

enormous costs to the economy, including business interruption and decreased business confidence

RAIL & ENERGY

interrupts the supply, and increases the cost, of energy and rail services

PHYSICAL DANGER

exposes communities to serious safety issues and potential loss of lives (e.g. exposed cables, delays in emergency and other services)

ENVIRONMENTAL

environmental costs arising from the need to replace damaged infrastructure, road transport produces higher emissions than rail transport

SERVICES


disrupts essential and other critical services (e.g. hospital power supply, destruction of road traffic lights) and telecommunication services

INDIRECT COSTS

raises the cost of providing and protecting infrastructure, uses up scarce law enforcement resources, increased wear and tear on roads as commuters and freight shift from rail to road

JOBS

retards economic growth and job creation, imposes additional transport costs on workers due to disrupted commuter transport



“The damage caused by the theft of scrap metal and cable on our infrastructure like electricity, trains and other vital services is enormous. We will take decisive steps this year both through improved law enforcement and by considering further measures to address the sale or export of such scrap metal”.

President Ramaphosa, SONA 2022

ON 8 JUNE 2022 CABINET APPROVED:

“That public consultations be undertaken on proposals to restrict the trade of illegally obtained scrap and processed metals. The theft of scrap metal and copper cable from public infrastructure hinders the performance of the economy by imposing enormous costs. Some of the disruptions include the supply of energy and rail services due to vandalised rail tracks. They impose additional transport costs on commuters due to disrupted commuter transport. Vandalised and unsecured electricity cables pose safety risks to communities, especially children. Cabinet directed that the dtic should lead the consultations within a limited period, and solicit inputs from the public and relevant sectors on effective measures that government can implement to stop the vandalising of critical economic infrastructure. Thereafter, Cabinet will pronounce on the approved measures. ”

A BALANCED APPROACH

To track the extent of the problem and to identify potential solutions, the Government commissioned research from independent experts, including

- Trade and Industrial Policy Strategies (TIPS) and
- Genesis Analytics.
- Inputs were also sought from Eskom, Transnet, the South African Police Service (SAPS) and business.

Government intends to pursue a balanced approach having regard to the need to combat the scourge of metal theft in a proportionate manner.

It is proposed to adopt various measures that will create a new Metal Trading Regime in the country, designed to undermine the criminal syndicates and networks that threaten South Africa's vital economic infrastructure while, at the same time, limiting the extent to which the new regime imposes costs on the metal value chain.

COSTS OF METAL THEFT

THEFT ITEM	COST PER YEAR	NOTES
Theft from Transnet		
Security, metal replacement, repair, lost service revenue	R4.6 billion	Transnet; for full year based on 10 months to Jan 2022
Gross forgone revenue faced by mines	R30 billion	Minerals Council
Theft from PRASA		
Metal replacement and repair	R1.6 billion	Pro rata of two years to Feb '22
Lost service revenue	R1.2 billion	
Lost employee wages	R0.4 billion	
Increased commuter costs (use of taxis)	R1.5 billion	
Theft from electricity networks of Eskom and Municipalities	R7 billion	Eskom country wide estimate
Estimated Total costs from copper theft	> <u>R46.5</u> billion	*estimates calculated April 2022
Theft from other businesses & associated costs	Not Calculated	Likely to be significant; further research required
Additional costs faced by other business (including stoppages due to delayed inputs)	Not Calculated	Likely to be significant; further research required
Increased road maintenance	Not Calculated	Likely to be significant; further research required

The table does not include other major society-wide costs, including: the long-term costs associated with decreased business confidence, costs arising from the loss of South Africa's low-cost rail advantage, costs of rail derailments, and environmental costs.

COSTS OF METAL THEFT, CONT.

COSTS

TRANSNET

South Africa has around **25 000 km of railway lines**. Of that, PRASA owns **2 280 km exclusively in Gauteng, eThekwin and CT**. Transnet operates the remainder. The length of cable stolen from Transnet's lines rose six-fold from 2017 to 2021. The amount of cable stolen from Transnet climbed from 120 km to 724 km over this period. In 2021, more than 200 km of railway tracks were stolen in November alone. In August 2022, Transnet reported impact of **R4.1 billion due to cable theft**.

Large-scale theft of copper cable used for electricity transmission and distribution over many years.

In 2020/2021 the damage from stolen steel lattices was estimated at R100 million.

ESKOM

Eskom's network comprises of 33 158km of transmission and 391 784km of distribution lines (total of **424 942 km** network made of copper, aluminium and steel)

Deaths due to tampering with electrical infrastructure.

Risks to safety of communities.

Workers not able to make it to work due to transport and infrastructure interruptions.

LIVES AND LIVELIHOODS

In 2019, passengers took a total of 175 million personal rail journeys and paid R2,4 billion. Two years later (2021), they took only 22 million journeys for R0,5 billion.

JOBURG CITY POWER

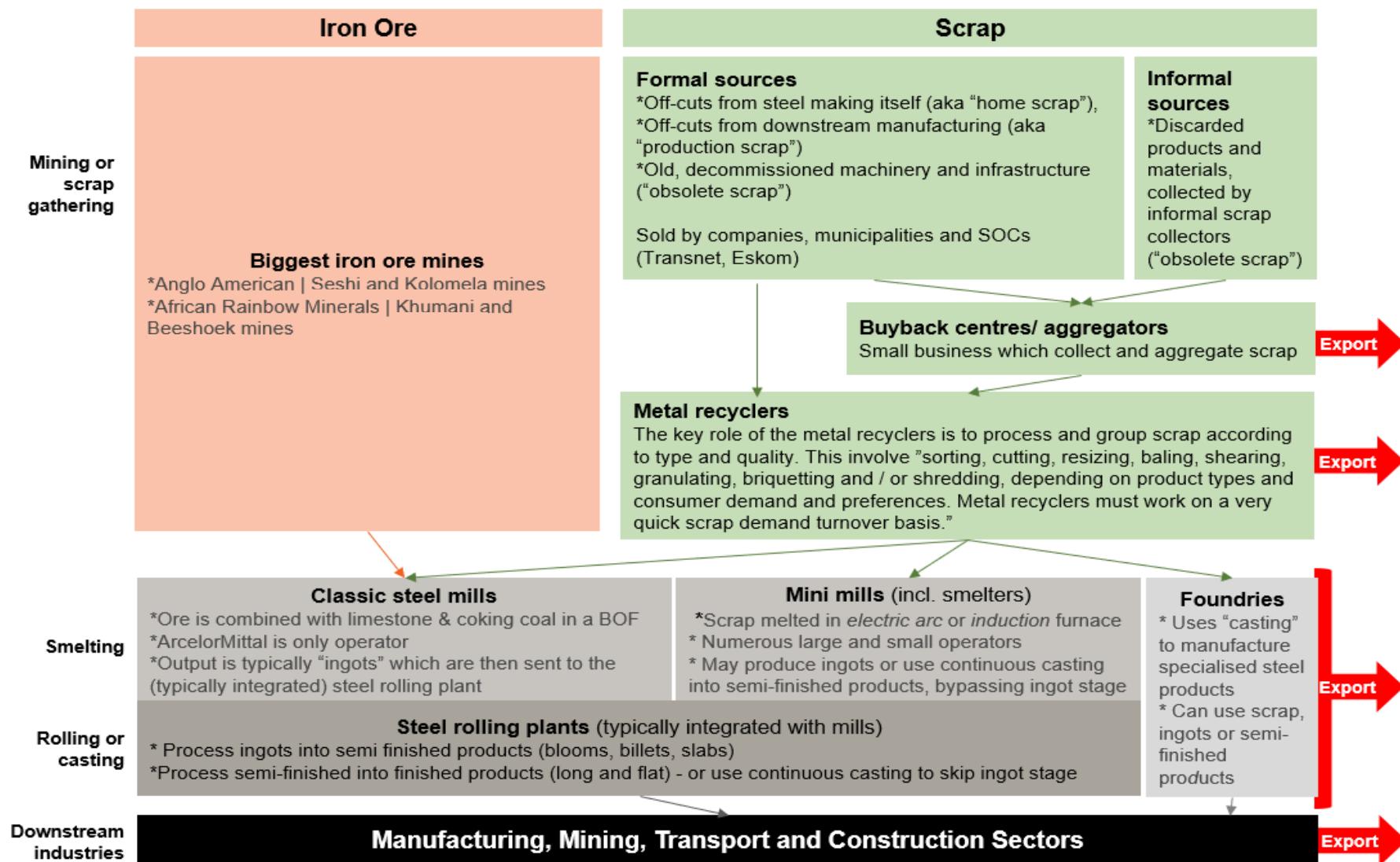
Report 285 theft cases between August 2020 and April 2021

Infrastructure theft resulted in an **estimated loss R36 658 572**.

About R85 million per annum is spent on additional security personnel, security infrastructure (such as booms, alarms, beams, drones, fencing, CCTV cameras, intelligence gathering and/or security operations).

SUPPLY AND VALUE CHAIN OF SCRAP

Scrap, including the stolen scrap, can enter and exit the formal supply chain at various points



THEFT OF SCRAP METAL IS DRIVEN BY HIGH DEMAND AND PRICES



The widespread theft of infrastructure is driven by high demand for copper scrap and other forms of scrap metal, particularly for the export market.



A multi-billion industry has flourished. Legally collected scrap metal and scrap stolen from public and private infrastructure are sold to recycling firms, who supply both the domestic industry (foundries and steel mini-mills) and export markets.



Following a sharp rise in global demand (and prices) in 2021/22, the theft of scrap metal intensified.

SCRAP METAL CHALLENGE 1: ADDRESSING SHORTAGES OF SUPPLY IN THE DOMESTIC MARKET

To address challenges with export of scrap metal that impacted on other public policy goals (local industrialisation, climate change goals and the needs of the country's infrastructure programme), various measures were introduced:

IN 2013

a price preference system (PPS) was introduced to restrict the export of scrap metal without first offering it to local industry at concessional pricing

IN 2020

a temporary (two-month) prohibition on exports was introduced to address a shortage of scrap metal in the domestic market

IN 2021

an export tax was put in place.

These measures have been broadly successful in addressing the industrial policy goals. The new proposals therefore do not seek to address these areas, focusing instead on the theft of metal and copper cable.

SCRAP METAL CHALLENGE 2: ADDRESSING THEFT OF METAL AND COPPER CABLE PARTICULARLY FROM INFRASTRUCTURE

From 2016, a number of steps have been taken to address the theft of metal and copper cable.

SENTENCING & BAIL

Legislative measures were introduced in 2016 through the Criminal Matters Amendment Act, 2015 that provides for

- a new category of offenses of damage to essential infrastructure
- Sentencing increased to 30 years or R100m fine
- Bail conditions made stricter for such offenses

SECURITY AND POLICING

2016: SAPS National Instruction Note issued to facilitate policing

2017: Use of Regulations under Second-hand Goods act to empower other agencies to act as law enforcement officers

2022: Transnet security officers granted powers under the Criminal Procedures Act as peace officers to make arrests and assist the NPA with prosecutions

MEASURES IMPLEMENTED BY DEPTS. & ENTITIES

SAPS

Establishment of the Multi-Disciplinary Economic Infrastructure Task Team (EITT) – 762 new dedicated officials. Scrap metal dealers and recyclers of controlled metals (including copper) are required to register under the Second-Hand Goods Act, 2009 (the SHGA).

Stepped-up investigations and raids

SARS

Cancelling of illegal operators customs code: not able to import or export.

Serious non-compliance is being pursued with criminal charges.

Where elements of non-compliance is detected, significant penalties are imposed

MEASURES IMPLEMENTED BY DEPTS. & ENTITIES

Eskom

- Energised fence functionality
- CCTV cameras (smart technology)
- Electronic access control system
- Pre-detection alarm systems
- Unique identification and markings
- Security lighting
- Patrol and traffic control
- Drones

Provision of 20 specialised tactical response officers per station.: 24/7 basis and specialised security systems and technology for enhanced and dedicated protection of the generation plant environment to be implemented in a graded manner across the Generation fleet comprising of one nuclear power station and 15 coal-fired power stations nationally.

Transnet

- Use of drones and increased patrols.
- For the coal line from Mpumalanga to Richards bay they have to cover 750 kilometres alone, making additional security measures difficult to implement.

PRASA

- 3,100 new security officials for identified hotspots.
- Building concrete walls along lines.
- New K9 units.
- Technology control rooms.

Telkom

- Reported more than R1.5 billion spent on theft-prevention and other measures over 5 years
- 470kms of copper wires replaced in 2 years
- Alarming critical & sensitive routes and employing private armed security firms.
- Vulnerable aerial cable routes buried underground.
- Deploying wireless technologies as alternative to copper

MEASURES IMPLEMENTED BY POLICE : MEDIA REPORTS

Source:
<https://twitter.com/SABCNews/status/1545412812671000576?s=20&t=YXvumsBppvFnX70oLPSANw>



SABC News 
@SABCNews

Police earlier raided the SA Metal scrap yard in Elandsfontein and arrested the owners. Copper estimated in the millions was seized.



4:21 PM · Jul 8, 2022 · Twitter Web App

MEASURES IMPLEMENTED BY POLICE : MEDIA REPORTS



Fidelity Services Group @Fidelity_Secure · Aug 2

During a routine patrol, this morning, our team in the Vaal came across a man taking steel from the local railway. The team apprehended the man for **theft** of **Transnet** infrastructure. He was handed over to another security company responsible for the site. Well done team!



MEASURES IMPLEMENTED BY POLICE : MEDIA REPORTS

Source:

<https://twitter.com/CapeTalk/status/1552347743208759297?s=20&t=YXvumsBppvFnX70oLPSANw>



CapeTalk on 567AM 
@CapeTalk

Is new management turning SA's ports and rail company around?

Metal theft remains a huge problem and In the coming F/Y Transnet will spend R4 billion on security, says Group CEO Portia Derby.

[#TheMoneyShow](#) [#transnet](#) [#CopperCableTheft](#)



capetalk.co.za

Transnet swings to R5bn profit from R8bn loss in previous financial year
Bruce Whitfield talks to Group CEO Portia Derby about state-owned Transnet's results for the 2021/2022 financial year.

7:38 PM · Jul 27, 2022 · Buffer

MEASURES IMPLEMENTED BY POLICE : MEDIA REPORTS

Source:
<https://sundayworld.co.za/crime/scrapyard-manager-in-jail-for-possession-of-copper-cables-worth-r1-3m/#>

Crime

Scrapyard manager in jail for possession of copper cables

By Boitumelo Kgobotlo | 18th Aug 2022



MEASURES IMPLEMENTED BY
POLICE : MEDIA REPORTS

Source:
<https://www.news24.com/news24/southafrica/news/two-men-arrested-after-allegedly-being-found-with-stolen-copper-cables-worth-r3m-20220307>

07 Mar

Two men arrested after allegedly being found with stolen copper cables worth R3m

news24 Alfonso Nqunjana

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Source:
<https://www.news24.com/news24/southafrica/news/eastern-cape-scrapyard-dealer-caught-in-alleged-possession-of-120kg-of-illegal-copper-20220308>

08 Mar

Eastern Cape scrapyard dealer caught in alleged possession of 120kg of illegal copper

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MEASURES IMPLEMENTED BY POLICE : MEDIA REPORTS

Source:
<https://www.timeslive.co.za/news/south-africa/2022-07-09-gauteng-cops-seize-r10m-in-stolen-copper-arrest-four/>



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MEASURES IMPLEMENTED BY POLICE : MEDIA REPORTS

Source:
<https://kemp-tonexpress.co.za/226001/scrap-yards-shut-down/>

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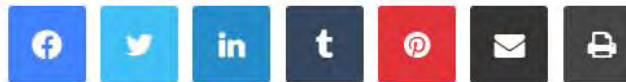
Crime News

Police shut down two scrap yards, arrest five

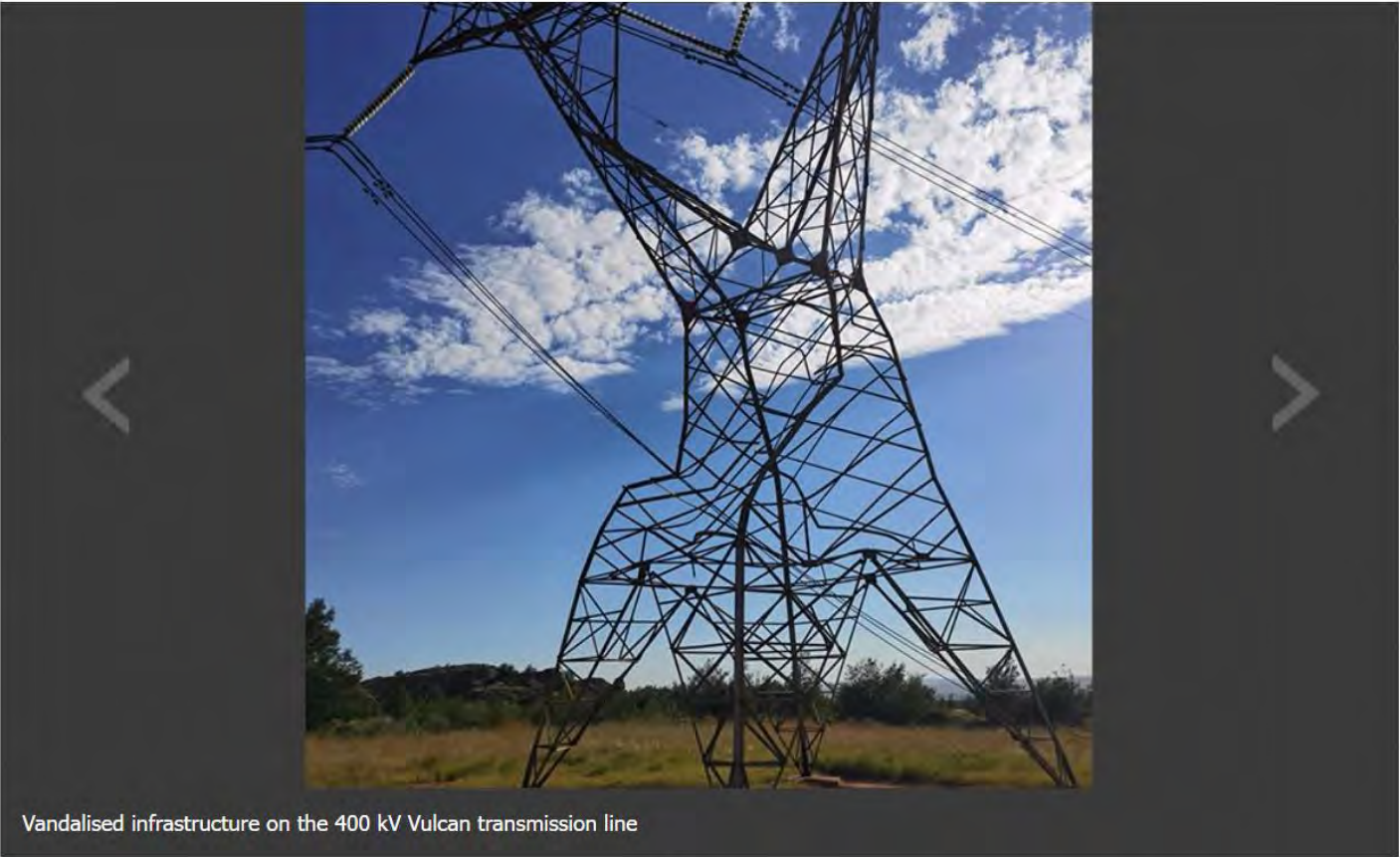
The scrap yards were shut down after being found to have failed to comply with the second-hand goods act.

February 12, 2020

 Puleng Sekabate 2 minutes read



Eskom, Hawks swoop on cable theft syndicate in Mpumalanga



Vandalised infrastructure on the 400 kV Vulcan transmission line



9TH MARCH 2022

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MEASURES
IMPLEMENTED
BY POLICE :
MEDIA REPORTS

Source:

<https://vaalweekblad.com/141939/vaal-scrapyard-hides-biggest-illegal-copper-haul-in-sa/>

Sunday, August 21 2022



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Home / News / Scrapyard in Vaal hides biggest illegal copper haul in SA

News News

Scrapyard in Vaal hides biggest illegal copper haul in SA

Police recovered a reported 9 tons of stolen copper cable in Vanderbijlpark this week in what is believed to be the single biggest strike of its kind against illegal copper merchants to date in South Africa.

August 19, 2022

Craig Kotze 1 minute read



Bags of illegal copper were found at the scrapyard.

Police could not immediately confirm the exact weight of the recovered metal as it was still being weighed at time of publication. A 43-year-old scrapyard manager was arrested during the operation and the scrapyard involved shut

BUT MORE NEEDS TO BE DONE...

SIZE OF POLICING CHALLENGE

- The sheer size of public infrastructure makes 24-hour policing and physical security of each potential metal or copper-cable site, impractical
- 600 000kms of rail, telephone and electricity lines
- 100 000's of physical sites, ranging from electricity sub-stations to schools, traffic lights and pothole covers

INTERNATIONAL EXPERIENCE

Consider the international experience and how other jurisdictions are addressing the challenge

SHIFT FROM THOUSANDS OF LOCATIONS TO THE LOGISTICS AND DISTRIBUTION NETWORKS

Shift the focus to the logistics of scrap-metal trading – from exports, to use of cash, to requiring traders to maintain registers of who they buy from and who they sell to

INTERNATIONAL EXPERIENCE

Metals theft is a global problem that many countries are facing.

A survey was undertaken on the international experience of restrictions on the sale of scrap metal.

The research provides case studies of: Kenya (ban on scrap metal) and India (export tax).

Info was also obtained on the European Union (use of environmental standards).

According to a database maintained by the OECD a number of countries have imposed restriction on trade in scrap metal, including:

9 countries

had formally banned copper scrap exports by 2020

17 countries

had instituted quotas or licencing requirements (including South Africa's PPS)

13 countries

imposed taxes

Restrictions incl.

not only copper but also ferrous and aluminium scrap.

MEASURES PROPOSED

- *Three-phase approach (although the phases are not rigid and may overlap) to limit demand and facilitate policing*

PHASE 1	PHASE 2	PHASE 3
<ul style="list-style-type: none">• Focusses on interventions that can be implemented without delay through the use of directives and notices, including<ul style="list-style-type: none">a) reducing demand by imposing a temporary (six-month) prohibition on the export of waste and scrap metal,b) facilitating policing by developing a system to making it easier focused on an export permit system for semi-finished metal products andc) the creation of an import permit system for furnaces and various other scrap transformation machines.• Possible limiting export permits for semi-finished metal products to businesses that manufacture semi-finished products.• A central repository to monitor metal theft from critical public infrastructure	<ul style="list-style-type: none">• Focus on amendments to regulations and other measures aimed at enhancing the registration, reporting and enforcement regime for metal trading (following a public comment process).• Possible additional restrictions on the sale of copper scrap and semi-finished copper where warranted.• limitation on the ports (and, potentially, land borders) that may be used for export waste, scrap and semi-finished metal.• Policy coordination between SA and various regional bodies	<ul style="list-style-type: none">• A possible special Act of Parliament or changes to existing Acts• Including a possible prohibition on using cash in any transaction involving scrap, waste or semi-finished metal• blacklisting offenders <p>Any legislation that is enacted in this phase will follow a public consultation process</p>

THE DRAFT POLICY include ACCOMPANYING NOTICES

On 5 August 2022, the dtic - following consultations with various government departments - published the draft policy proposals on measures to restrict and regulate trade in waste, scrap and semi-finished metals to limit damage to infrastructure and the economy.

The draft policy was published together with draft policy directives and notices that propose to:

impose a temporary (six-month) prohibition on the export of waste and scrap metal and suspend the price preference system during this period

require export permits for semi-finished metal products

require import permits for furnaces and other scrap transformation machines

Interested parties were given 21 days (to 26 August 2022) to comment on the draft policy as well as the draft directives and notices.

MORE DETAIL ON SOME OF THE KEY PROPOSALS AND THEIR RATIONALE

- *The new regime will challenge the syndicates' ability to operate, sell and export their stolen goods inter alia making policing easier.*

Enhanced border control in phase 1

This includes:

- the temporary prohibition on scrap exports;
- export permits for semi-finished products; and
- import permits for devices that change the form of scrap

This is aimed at reducing the extent to which the export channel is used to monetise stolen metal.

Enhanced registration conditions for dealers in scrap and semi-finished metals

This will lead to the formalisation of the metal trading industry.

Only legally-compliant businesses whose metal transactions are traceable will be able to legally trade in scrap and semi-finished metal.

Enforcement of the registration requirement for sellers of scrap and for semi-finished metals

This will facilitate the regulation of the scrap metal trade and promote more effective regulation throughout the metal supply chain, particularly in circumstances in which stolen scrap metal is often converted into semi-finished products and then exported (or sold locally).

Reporting Requirements

All registered buyers and sellers will be required to submit monthly reports, including a purchase and sales table, to a centralised data portal. This reporting framework will allow enforcement authorities to quickly identify anomalies for further investigation.

MORE DETAIL ON SOME OF THE KEY PROPOSALS AND THEIR RATIONALE

- *The new regime will challenge the syndicates' ability to operate, sell and export their stolen goods inter alia making policing easier.*

Restrictions on who can sell copper scrap and semi-finished copper metal.

Tighter restrictions on who can sell copper scrap and semi-finished copper (and copper alloys) are being considered, given the pressing nature and extent of copper theft. According to Genesis Analytics, a case can be made for prohibiting the trade of copper completely. A prohibition on copper trading is, however, not being proposed in the Gazette.

Enhanced registration conditions for dealing in copper scrap and semi-finished copper

It is envisaged that copper sellers will be limited to businesses that either (a) produce scrap as a by-product of their normal operations or (b) are traders and semi-finished producers that comply with certain reporting requirements. Consideration is also being given to requiring that registered buyers may only purchase scrap and semi-finished copper from registered sellers.

Restrictions on the import of furnaces and scrap transformation machines

The import permit requirement for furnaces and other scrap transformation machines is aimed at combatting the use of these machines by criminal syndicates to transform stolen metal and thus to render it unidentifiable. This will, in turn, undermine the ability of criminals to monetise stolen scrap metal.

Prohibiting the use of cash

The proposed prohibition on the use of cash in transactions involving scrap and semi-finished metal will significantly improve traceability of transactions. This will greatly improve monitoring and enforcement.

LIKELY IMPACT

The **temporary prohibition on** exports of waste and scrap metal, and the creation of a **permit system for the export of semi-finished metal**, is likely to lead to a material reduction in the theft of metal from the country's infrastructure as it will **eliminate (or reduce) one of the avenues for monetising** stolen metal (i.e. its exportation).

These interventions will also **divert significant volumes of scrap metal to the local market**, leading to **lower scrap metal prices** which is likely to disincentive metal theft.

The temporary export prohibition **would not have a significant negative impact on legitimate local upstream collectors and recyclers** as the volumes of waste and scrap that are currently legally exported can be sold locally.

The temporary (two months) prohibition on the export of scrap in 2020 did not cause serious harm.

The **enhanced regulation** of domestic metal trading (including **extended registration and reporting** requirements and the **prohibition of cash** transactions) and their enforcement will further bolster the country's fight against metal theft.

LIKELY IMPACT, CONT.

Criminals and criminal syndicates will face **increased risk of arrest** as anyone in **possession of waste, scrap or semi-finished metal** will be required to present the appropriate registration certificate. For licensed buyers, the incentive and ability to **purchase stolen goods**, and to whitewash them into the value chain, will be greatly reduced. Potential consequences for violating a registration condition will include **arrest, prosecution and the cancellation of registration**.

The proposed regulatory measures will **allow lawful metal collection, recycling, production, export and import to continue** but within the constraints of a regulated environment aimed at combatting illicit trade in stolen metal.

It is expected that the regulatory interventions may lead to a **consolidation among scrap metal traders**, with informal traders encouraged to formalise their business activities (or to be employed by scrap metal collection enterprises).

The consolidation of scrap feedstock supply is likely to result in **some reduction in the domestic supply** of scrap metal. However, the temporary export prohibition and extension of the export permit system is likely to **divert substantial volumes of scrap back onto the domestic market**, offsetting the impact of domestic consolidation.

LIKELY IMPACT, CONT.

The net result of the proposed regime might thus be that the **scrap supply to local industries would increase**. In any event, given the magnitude of South Africa's metal theft problem, it appears that **any negative impact on the local supply of scrap is more than outweighed by the benefits to society** through the reduction in the theft of, and the severe damage to, public and other infrastructure, the saving of lives and the positive benefits to the economy.

The **impact on scrap feedstock supply will be closely monitored** by the Metal Trade Task Force.

In order to ensure that the measures are effective, Government will need to **allocate additional resources** to administration and enforcement, including increased monitoring and enforcement at ports and administrative resources for licensing. This will have financial implications for the fiscus, but this is anticipated to be **more than outweighed by the economic benefits**.

DEMAND FOR ACTION

A Metal Trade Task Force has been set up to develop the systems and coordinate work within Government, consisting of the NPA, the National Treasury, DMRE, DPE, the dtic, the National Intelligence Co-ordinating Committee, the SA DIAMOND & PRECIOUS METALS REGULATOR, ITAC, SARS, SAPS and DOJ.


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NATIONAL

Calls for parliament to prioritise tackling metal theft crisis

State-owned enterprises estimated damage to the broader economy amounts to about R187bn annually

25 MAY 2022 - 18:00 by BEKEZELA PHAKATHI



Picture: EDUARDO LEAL/BLOOMBERG

Parliament has been called on to urgently discuss and prioritise

Source: <https://www.businesslive.co.za/bd/national/2022-05-25-calls-for-parliament-to-prioritise-tackling-metal-theft-crisis/>

NEXT STEPS...

This presentation outlined a number of steps taken to date, including to:

- quantify the impact of theft of scrap metal;
- identify possible measures to address these;
- Consult within Government to develop a package of measures that can be implemented; and
- Publish the proposals for public comment.

Following receipt of public comments:

These will be evaluated and taken into account before a final package of measures are provided to Cabinet for consideration.

Thereafter:

Various Cabinet Members will consider measures within their mandate to address the challenge of scrap metal and cable theft as outlined herein.

Independent research	Completed
Public sector consultation	Completed
Legal advice	Completed
Draft policy and draft notices	Out for public comment
Cabinet review	After close of public comment and possible redraft
Final Decision	After Cabinet review
Implementation	After final decision



trade, industry
& competition

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THANK YOU

23 August 2022

Presentation to the Portfolio Committee on Trade, Industry & Competition

