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Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

THE NATIONAL ASSEMBLY

QUESTION FOR WRITTEN REPLY

QUESTION NO. 1638

Mr R W T Chance (DA) to ask the Minister of Trade, Industry and Competition:

- (1) Whether he had been informed that the agreement of the Price Preference System (PPS) will be withdrawn when export duties on scrap steel commences; if not, why not; if so, what are the relevant details;
- (2) whether he intends to reach an agreement with the Minister of Finance on whether export duties or the PPS will be withdrawn; if not, why not; if so, on what date;
- (3) whether he will outline the different purposes (a)(i) export duties and (ii) the PPS serve in the scrap steel value chain and (b) of the Government's commitment to boosting exports and fast-tracking job creation; if not, why not; if so, what are the relevant details? NW2019E

REPLY:

- (1) The Preference Price System (PPS) is undergoing a public process of review conducted by ITAC in order to improve the efficiency and effectiveness of the system. Since 2021, the PPS and export tax have been working in tandem to boost domestic steel and foundry development by lowering the cost of key raw material – scrap metal. This review process should present Government with evidence on the performance of the systems and a view of what needs to be done through this intervention to realise the industrial development objectives of value addition, export and employment growth in the manufacturing sector.

Government will present the findings of the review once completed as well as the future policy pathway.

- (2) The decision on what to do with PPS and export tax on scrap metal is undergoing rigorous evaluation within Government. It must be understood that any decision in this regard cannot be taken without due process and an assessment of impacts across industry. At this stage, consultations are conducted with all affected parties in the ecosystem to get their inputs and views. This matter is receiving priority attention in Government with the aim to finalise it in the shortest time possible in order to provide long term policy certainty for the Steel and Metal Fabrication as well as related value chains.

- (3) a) The Preference Pricing System (PPS) for scrap metal is a government policy framework designed to regulate the export of scrap metal and prioritise local industries access to this resource at favourable prices. This is in line with South Africa's broader industrialisation strategy to sustain the domestic steel industry, which has faced significant challenges due to global competition, high production costs, and fluctuating demand. By ensuring local industries have access to affordable scrap metal, the PPS helps maintain production capacity, retain jobs, and support downstream manufacturing.

The Preference Pricing System PPS was introduced in 2013 and is implemented by the International Trade Administration Commission (ITAC). It has gone through number of review cycles including according to the following timeline:

- 10 May 2013- PPS introduced
- 24 May 2019- PPS extended for 8 months until 31 March 2020 to allow for export tax to be introduced
- 31 March 2020- extended until December 2020
- 23 November 2020- Extended for 7 months until 31 July 2021
- 28 July 2021- Extended for 2 years until 31 July 2023
- 26 June 2023- Extended for 5 years until 31 July 2027

The export tax on scrap metal was introduced in 2021 a levy on the export of certain types of scrap metals. This tax is part of South Africa's effort to curb the export of valuable raw materials and ensure that local manufacturers have affordable access to scrap metal for production, particularly in the steel and foundry sectors. It was introduced to augment the Preference Pricing System (PPS). The export tax complements the PPS by creating an additional financial incentive for scrap to remain within South Africa.

b) By increasing the cost of exporting scrap, the policy (PPS and Export Tax) encourages local processing and supports South Africa's downstream steel, foundry, and manufacturing industries. This is a global phenomenon as scrap demand has been greater than supply for the past two decades. Over 30 countries (including EU, China, India and Brazil) across the world have introduced export controls on scrap metal in order to secure raw materials supply for the development of their own manufacturing sectors. By supporting local industries, the export tax and PPS aims to protect jobs and promote economic growth within South Africa's steel and metal processing sectors through value addition and the export of value-added products.

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