

Parliamentary Presentation

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South African Wire Association

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SAWA Chairman



SOUTH AFRICAN WIRE ASSOCIATION



CORPORATE MEMBERS:



South African Wire Association

- Established in 2002 and registered with DTIC as an Export Council, receiving government grants and support.

Our main focus is export promotion :

- SAWA has represented our industry abroad with market research trips, at international exhibitions and dtic National Pavilions.
- The corporate members represent approx. 70 % of the wire sector manufacturing base.

BACKGROUND OF THE DOWNSTREAM WIRE SECTOR

The South African wire industry is a downstream sector of the primary steel industry

- Employing an estimated 6000 people.
- Wire industry services domestic and export market sectors of agriculture, automotive, construction, engineering, manufacturing, and mining.
- Supplying a variety of products such as wires of various qualities, wire rope and strand, chain, articles of formed wire eg springs, nails, fasteners, fencing and security products, welded mesh reinforcement, welding electrodes and motor vehicle components.
- Most of these products make up the export product mix of the wire sector.
- SA wire sector has a long history of exporting global markets and is recognised as a reputable and stable trading partner.
- Exports of **valued-added** wire products achieved a **record of 308 212 tons in 2019**.

Export Performance (Calendar Years)

Wire and Wire Products

	<u>Exports:</u>	<u>vs</u>	<u>Imports:</u>
2018	288 115 tons		233 900 tons
2019	308 214 tons		211 118 tons
2020 (Covid)	249 308 tons		184 180 tons
2021	283 078 tons		241 528 tons
2022	270 532 tons		222 776 tons
2023	275 129 tons		202 571 tons
2024	267 185 tons (R10,9Bn)		243 828 tons (R10,95Bn)
2025(ytd)	58 872 tons (R2,33Bn)		59 353 tons (R1,51 Bn)

□ *Progress made in implementing the Steel and Metal Fabrication Master Plan;*

- At the implementation of the Steel Master Plan 1.0 in 2021 the wire industry already had a successful export history

Extract of SMP 1.0 page 31.

8.2 Building on success is crucial. The wire industry is successful. Most of the companies in the sector have invested in recent years, are efficient and utilize up-to-date technology..... There are very significant opportunities for import replacement if there is effective enforcement of local content and prevention of illicit imports..... The industry is also able to extend its exports..... and this should be a target of export promotion activities. This is an industry which can be very successful, but is currently threatened with a shortage of wire rod. The discussions between this sector and the dtic will be pursued energetically to optimize the growth of this sector in import replacement and in exports. A sub-sector component to the Master Plan for this industry should be prioritized.

- The wire sector remains a net exporter of high value added products of 267 000 tons R10.9bn in 2024.
- We are losing market share to aggressive international exporters (receiving government subsidies eg China) and had to compete with nearly 244 000 tons of imports,
- Exacerbated with low domestic demand and 50% production capacity utilisation,
- The wire sector is in a critical survival mode

□ The effectiveness of the identified implementation actions to address or mitigate the identified challenges facing the industry;

Extract of SMP 1.0 page 31.

8.3 SARS has agreed to prioritize steel industry imports for investigation and enforcement, especially with respect to under-invoicing and misdeclaration of goods.....

- Insufficient enforcement capability of Customs allows import circumventions and illicit trade practices to continue to the detriment of the wire sector.
- Consensus of the sector is that the SMP 1.0 has failed to provide the planned benefits for improved localisation and demand for the various sectors served by the wire industry and reducing illicit trade.

□ *Lessons learnt from the implementation process;*

- Not enough representation / consultation between industry and oversight committees
- Oversight committees should include more industry stakeholders.

□ *The impact of the changing domestic and geopolitical landscape on the industry and the effects of the Master Plan;*

- The current uncertainties in global markets may cause a surge in import competition as exporting countries with over capacity look for alternative new markets including SA.
- With the increase in imports our focus has changed to emphasise on import substitution.
- Most wire product imports (Chapters 72 and 73) are covered with duty/tariffs already at the bound rate (10%)
- But imports with values lower than the price of raw material, and even the price of ferrous scrap are common, although regularly reported to SARS with seemingly no interventions.

□ Steps being taken (if any) to amend, adapt or redevelop the Master Plan

- SAWA and members have discussed with SMP facilitator on possible sub –sector component for the wire industry.
- SAWA and members have supported TIPS, ITAC and DTIC with inputs to variations consultations , surveys etc.