

STEEL & METAL FABRICATION MASTER PLAN

PROGRESS ON IMPLEMENTATION

April 2021 to November 2021

Presentation to Parliament's

Portfolio Committee on Trade & Industry

Tuesday, 7th December 2021



the dtic

Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

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“our vision for industrialisation is underpinned by sector master plans to rejuvenate and grow key industries.”
President Ramaphosa, 11 Feb. 2021, State of the Nation Address



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Background & Context

Products and applications are used across the entire economy in mining, construction, infrastructure, automotive, packaging and capital equipment, and is a key-driver of competitiveness and innovation

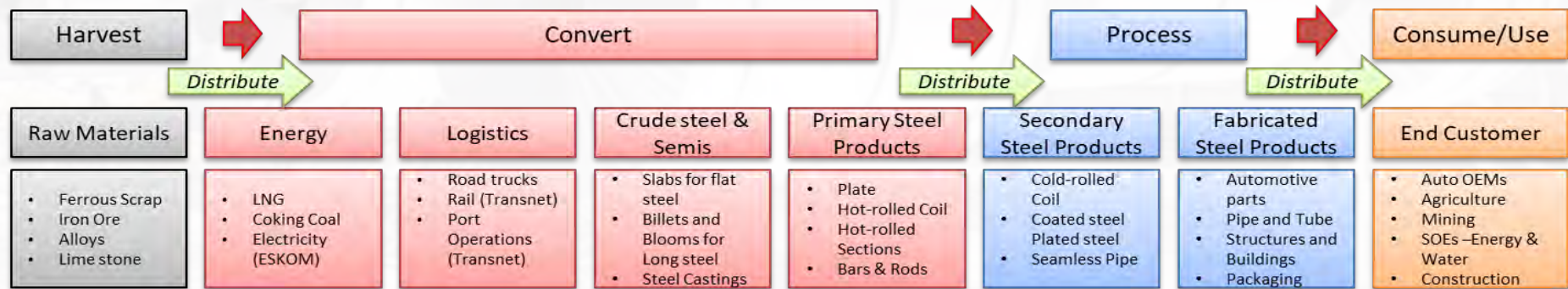
- a long-term growth
- the development of skilled jobs (taking technology disruptions into account)
- R&D, and
- greening the economy

South Africa is one of the largest steel producers on the African continent. According to the World Steel Association, South African steel manufacturers produced 5.7 million metric tons of crude steel in 2019

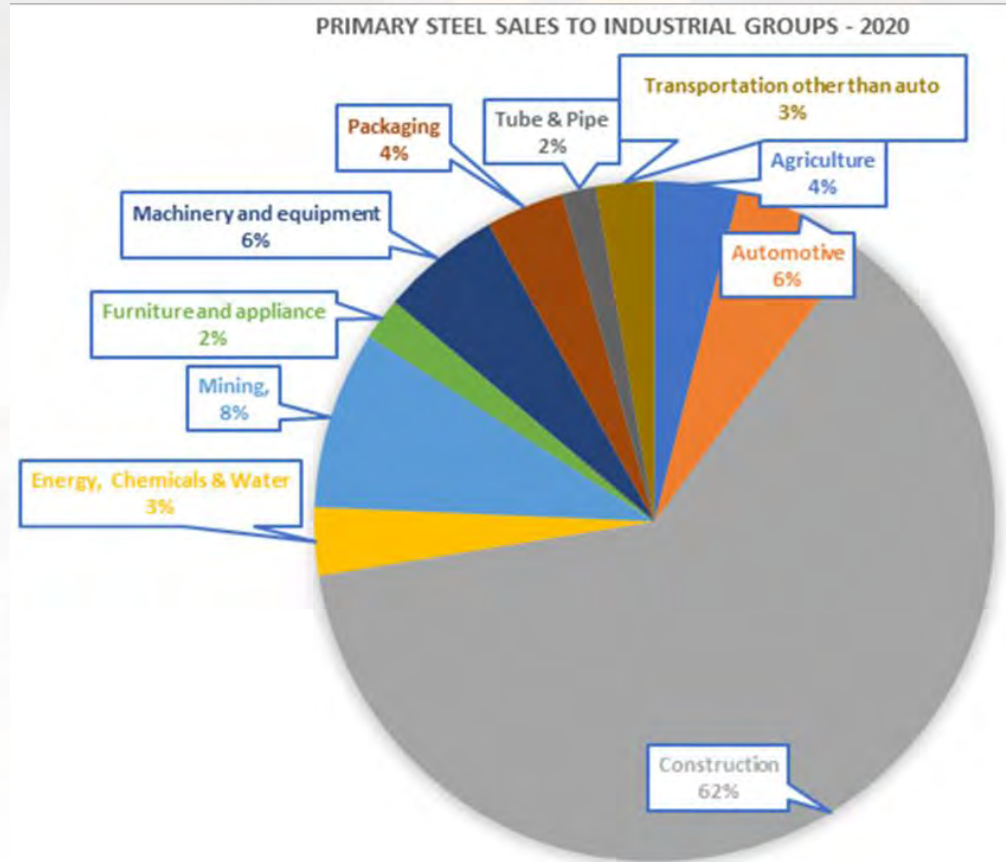


Background & Context, cont.

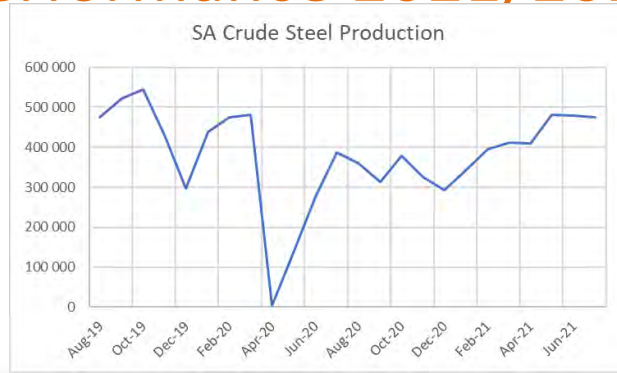
Steel Sector's Value Chain



Background & Context, cont.



Performance 2021/2021



Supply Chain

SA steel users experienced steel shortages and long lead times, similar to global markets

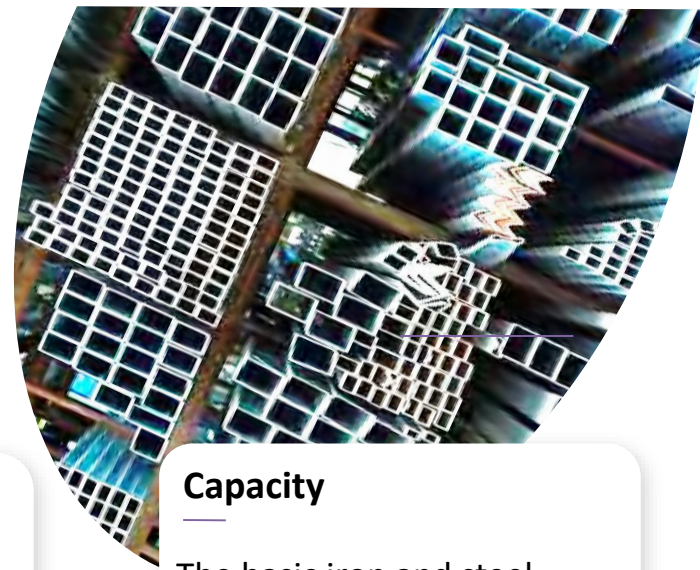
While globally there are still supply chain disruptions, inventories have normalised and surpluses can be expected from Q3-2021

Production

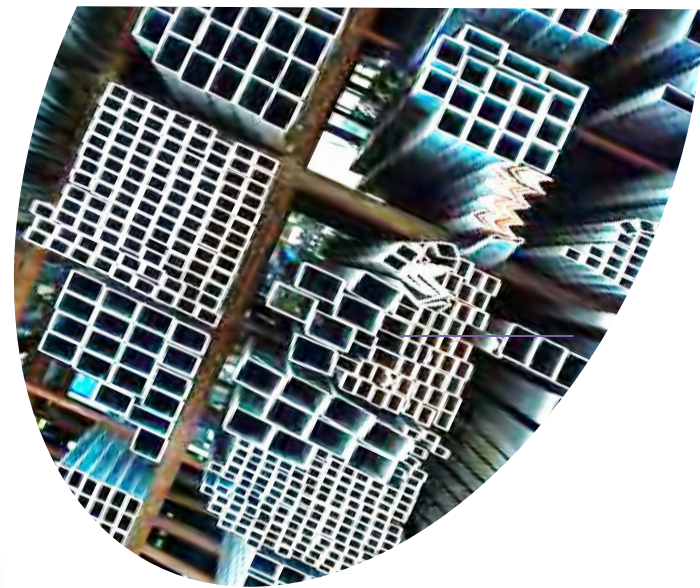
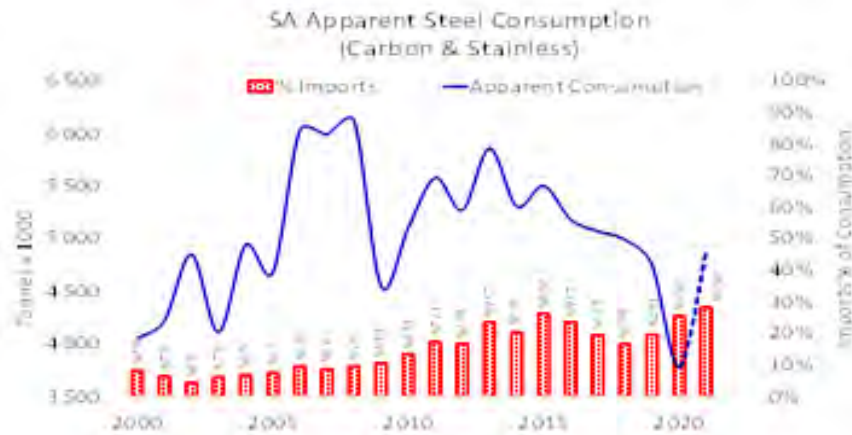
SA crude steel production increased above the 450 Kt towards the mid-2021, a bit lower than the pre Covid-19 levels

Capacity

The basic iron and steel industry operates at a 64,6% utilisation of its available capacity and at 84% of its active capacity in 2021, making the industry capable to supply substantially more demand growth. The opportunity exists to employ the additional marginal capacity competitively



Performance 2021/2021, cont.



Consumption

In 2021 primary steel imports increased to 28% of domestic steel consumption, matching the levels experienced in 2015 before the introduction of safeguard measures

Articles Iron/Steel

Articles of Iron or Steel (e.g. downstream products: wire and wire products, tube & pipe, Fasters, structures and other) experience similar import trends as that in the primary steel industry

Steel

The imports of articles of steel increased by 38,4% during the first 8 months of 2021 compared with the corresponding period during 2020 (SARS data)

CHALLENGES

Eskom
Generation

Koeberg
Nuclear Power
Station

Climate Change mitigation responsibility

Export markets gearing for changes – local industry is very carbon intensive

Capacity under utilisation

Plant closures and job losses

Remedy measures

Increased deployment of trade remedy measures globally – directing exports to the markets

illicit/illegal trade

Increased imports and the escalation of illicit/illegal trade (Asian and global over-capacity and over-production resulting in pressure on both primary steel value added products)

Infrastructure programme

Delays infrastructure rollout programme = depressed demand

Energy Supply

Unstable energy supply and escalating energy costs

Production Costs

Reduced domestic and global competitiveness exacerbated by steep increase in production costs (raw materials, electricity, logistics)

CHALLENGES, CONT.



Transportation

Transportation & logistics: unreliable and cost of rail transport infrastructure, heavy reliance on Road transport

Covid-19

COVID 19 impact and vaccine reluctance: impact on industry work force due to vaccine reluctance and increase number of infections.

Unrest July 2021

Events of July 2021

Strike Actions

Recent wage negotiation that lead to strikes actions

Scrap metal

SA's infrastructure damage (e.g. copper cables theft) & selling material off shore



Master Plan Objectives



Social compact to guide the stabilisation, growth and innovation of the value chain



Key focus on continuous improvement and collaboration between Industry, Government and Organised Labour in order to maintain the sustainability of the Steel and Metal Fabrication Industry



73 implementation actions guide the Implementation Plan which focus on Key Areas: Supply-side; Demand-side; AfCFTA/Export Markets; Resource Mobilisation; Transformation; & HR development



Action-oriented plan based on identified competitiveness improvements in the firms, measures to reduce levels of imports and reposition the industry to be resilient in the intense global pressures

- Social compact to stabilise and grow the steel and steel products industry
- Enable increased competitiveness and productivity, including especially training and mentoring to increase professionalism, expertise and know-how
- Increase demand
- Stop leakages due to illicit trade and circumvention of designated products
- Retain and increase decent jobs
- Transformation of the industry
- Ensure the industry and workers are prepared for the 4IR and green economy.

SOCIAL COMPACTING FRAMEWORK

MASTER PLAN

LABOUR

- Improve productivity to bring more people into the mainstream
- Improve the skills base through better education and technical training (technical training is key to support other heavy industries as well.)
- Career pathway – future of Work

Mining Companies

- Competitive ore pricing and supply to support competitive domestic steel production
- Localisation of mining equipment where there is capacity and capability in terms of Mining Charter requirements
- Implement a procurement system that optimises local sourcing

Government

- Customs enforcement to stem custom fraud issues (under-invoicing; misdeclaration; etc.)
- Develop/ improve and roll-out of Incentives and Industrial Financing Instruments
- Enforce the designations/ LC requirements and uphold quality standards
- Deploy appropriate trade measures (tariffs; safeguards; etc.) to level the playing field
- Address pricing and access of key inputs (raw materials; scrap; steel; electricity and logistics)

Primary Steel Producers

- Steel pricing and supply path that support the competitiveness of downstream
- Invest in primary steel capacity to improve quality and grades, efficiencies, and cost competitiveness
- Contribute resources to customs enforcement and prior-surveillance of imports
- Transition to Green Steel
- Advance worker empowerment

Downstream Manufacturers

- Invest to grow capacity to support local demand and manufacturing jobs
- Invest in technology, management & operator skills, upgrading
- Build manufacturing eco-systems to advance transformation and inclusion
- Advance worker empowerment
- Contribute resources to customs enforcement



April – Nov 2021: Key Deliverables Overview

Steel Master Plan 1.0 drafted based on collaboration from the steel industry labour and government

Six focus areas for implementation identified with working groups (industry, labour and government) established

The Working Groups have identified priorities with teams set up to work on the 73 deliverables
The deliverables also include sharpening the implementation of the on-going support measures afforded to the industry

2020

Feb

Mar

Apr

May

Jun

Jul

Aug

Sep

Oct

Nov

Dec

Steel Oversight Council established.
Approval of Master Plan and 6 - 36 month Implementation Plan

Official signing of the Master Plan by labour, government and industry on 11 June 2021

The central focus of the plan is to enhance the demand side to balance the available supply, retain and grow job opportunities while driving the all inclusive transformation of the value chain

Management Committee of the LCCU established

MASTER PLAN FOCUS AREAS

Supply Side

Input costs reductions in the value chain
Administered prices (electricity, rail, port tariffs)
Raw material & Labour and productivity
Steel pricing across the value chain
Overcapacity
Improve steel supply matching demand
Improve competitiveness
Product Standards
R & D - innovation

Demand Side

Infrastructure Program & Import replacement
Designations & Trade administration
SOE's procurement
Buy Local & new exports
New product value chains
Mining digitisation

Export Market

AfCFTA & Rules of Origin
New markets
SACU tariff offers
Localisation opportunities
Strategic use of trade remedies

Transformation

Support Industry Transformation
Worker Empowerment programmes
BBBEE Level targets

Resource Mobilisation

Incentives programme
Greening the Industry
Development Fund
Investment support

HR

Improve Industrial Relations
Optimise training and skills
Improving development of HDSA's

Key Successes Overview

Steel and Metal Fabrication Master Plan

Support and Anchor the Reimagined Industry Strategy & Economic Reconstruction and Recovery Plan



Trade Instruments

To support local industry & attaching reciprocal commitments, e.g.: improve industries' overall competitiveness; increase productive capacity; investments; retain and create jobs; enhance skills development



Preferential Price System & Export Tax

Impact of Steel PPS & Export Tax: Better Availability of the input material for the local market. New market players/production lines are emerging and new products for localisation



Illicit Trade

Progress made on addressing illicit trade: mis-disclaration and under invoicing under the Inter-Agency Working Group, led by SARS, the dtic and ITAC



Industrial Financing Support

The dtic: 11 projects supported in the value chain. R209 Million disbursements. R1.3bn Investments leveraged
IDC: Total financing of R3.26 bn approved, 1446 direct jobs to be created



Resuscitation of the SA primary steel capacity

Recent acquisition of High Steel and CISCO steel mills from the business rescue processes, investments of R1.6bn and R290million respectively. Over a 1000 new engineering jobs to be created at the peak of production



Localisation

Localisation interventions bearing fruit: supporting Black Industrialists; Jobs and Deepening of SA capabilities



Implementation



Key Success: 1. Trade Support

Safeguard Duty

In August 2021, the safeguard duties on other **screws fully threaded with hexagon heads made of steel (set screws)** was extended for a period of 3 years and will be implemented at the following rates: 2 August 2021 1 August 2022: 35.6%; 2 August 2022 1 August 2023: 30.6%; and 2 August 2023 1 August 2024: 25.61%

Safeguard duty

In August 2021, a safeguard duty on **certain flat rolled products, whether in or not in coils, expired and a decision was made not to further extend it.** Factors considered include: concerns over supply shortages; the level of the liberalised duty; improved financial position of the primary steel producers given market conditions and pricing; period the duty had already been in place

Import Duty

In August 2021, import duty on **grinding balls** and similar articles for mills under the tariff sub heading 7325.91 was increased from duty free to 15%. Effective and timely tariff support can potentially resuscitate demand for locally manufactured grinding media, protect existing jobs while increasing job creation in the value chain

Import duty

In November 2021, import duty on **certain tubes, pipes and hollow profiles, seamless, of iron (excluding cast iron) or steel**, classifiable under tariff subheadings 7304.19.90, 7304.23.90, 7304.29.90, and 7304.39.35 was increased from 10 to 15%



Contribution to local beneficiation and Value Addition



Key Success: 2. Scrap Metal Interventions

- An export duty on scrap metal was launched 1 Aug 2021 and through the ITA Act the Price Preference System (PPS) was extended to 31 July 2023.
- The 2 instruments are implemented concurrently to ensure adequate quality scrap metals (strategic resource) is available at competitive pricing for local processing by steel mini mills; secondary smelters and foundries.
- These measures will contribute towards local beneficiation of scrap metals and restore supply stability for the industry which is mainly located in the Ekurhuleni; Ethekwini; & City of Cape Town.
- **Example of Enforcement:** Scrap metal dealer, who tried to export 10 containers of scrap metal out of South Africa without the necessary permits has been given a R600 000 fine by the Durban Magistrate's Court. The dealer pleaded guilty to two counts of Exporting steel scrap metal without obtaining an export permit (Contravention of the ITA Act) and two counts of making a False declaration (Contravention of the Customs and Excise Act)



Impact on the profitability and pricing:

- Better affordability of strategic recourse, as it is an import feedstock in the production of downstream metal due to the relatively lower energy consumption (also its has a lower carbon footprint). Direct impact is low cost as input material is now cheaper manufactured product becomes cheaper
- Concurrent system encourages expansions downstream

2. Scrap Metal Interventions



Scrap Dealers/ Merchants

Scrap recyclers reporting double digit growth and financial performance, e.g.: Insimbi (JSE listed scrap merchant) highlights of their financial performance for 12 months ending August 2021 include:

- Revenue up 47.6% (from contracts with customers) for the interim period increased to R3.1 billion (2020: R2.1 billion)
- Gross profit up 41.8% growing to R274.9 million (2020: R193.8 million)
- Operating profit up 181.7% to R95.2 million (2020: R33.8 million)

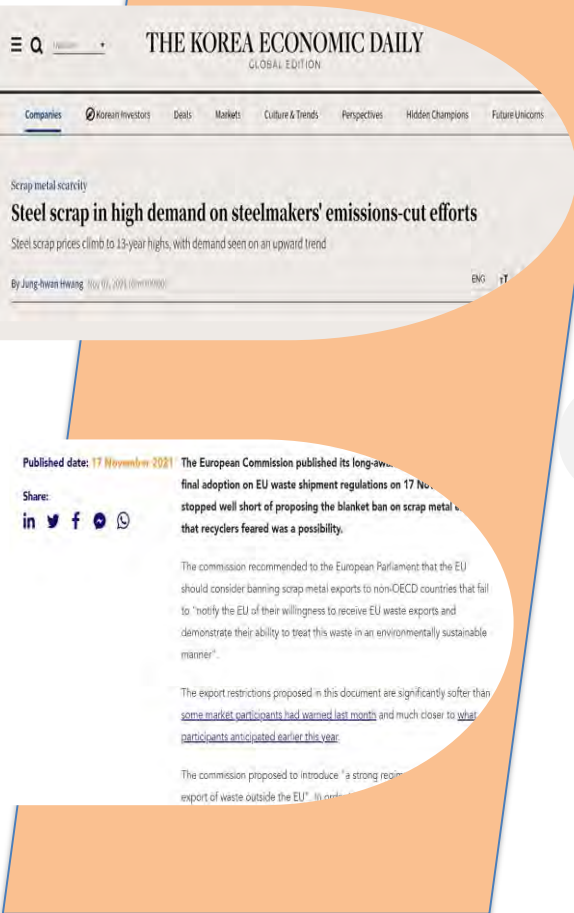
Steel Mills

- The access to quality scrap at competitive prices has contributed to the sustainability of the local long products steel mills
- The enhancement of sustainability in their operations has increased competition and the competitiveness has been transferred into the pricing which support the downstream sector
- Long products in SA are now priced on a cost basis and this move yielded significant benefits → By illustration: Scaw is selling locally manufactured equivalent wire-rod product at a net ex steel works price that is approximately 5% below the Chinese FOB price (source: SBB Platts (an S&P Global commodities information publication) & Scaw Metals)



Downstream

- Reduction in the SA long products pricing to prices below those available in China (on a dollar basis) has created an internationally competitive downstream wire and wire-rod products manufacturing sector. For the first time in over a decade, SA can increase its capacity and supply to the South African and Southern African markets!



Key Success: 3. Combatting illegal imports

During the period November 2020 to October 2021 , the below interventions have been initiated by SARS in the Steel and Scrap metal sector: that have resulted in the following:

- There are 14 active risk rules for testing the level of compliance
- A total of 4858 alerts on the declarations processed
- 1079 physical inspections
- 953 declarations that have been released as entered
- A total of 126 vouchers of corrections (VOC's) processed**
- Over R1.8 million in additional duty and over R380 000 in VAT has been recovered

**This is processed either by the clients' own initiative or SARS to correct the original declaration

Inter-Agency Working Group (IAWG) on illegal and Illicit trade

Corrugated Iron sheeting:

5 corrugated sheet entities identified that might be grossly undervaluing their imports.

4 of the 5 entities, Reserve Bank payments to suppliers exceeded the amounts declared to SARS Customs.

The clients' values declared to SARS customs and the Reserve Bank payments did not correspond

***SARS, the dtic and ITAC form the institutionalised Inter-Agency Working Group on Illicit and Illegal trade

Key Success: 4. Industrial Financing – the dtic support

11 NEW PROJECT SUPPORTED

11 projects supported R209m disbursements,
leveraging R1.3b private investment & R576 million
in domestic procurement



BLACK INDUSTRIALIST

2 of the 11 projects are owned by Black Industrialists:
1 fabricates mild steel, stainless steel and aluminium;
and the other manufacturing components from the
automotive sector



JOBS

99 new jobs
retained 2340 jobs



AUTOMOTIVE INCENTIVE SCHEME (AIS): 9 PROJECTS

9 projects supported by the AIS Incentive Scheme &
are Component manufacturers in the automotive
sector, manufacturing products such as chassis
components, aluminium and steel laser cuts for body
panels, catalytic converters and automotive pressing
and assemblies



GEOGRAPHICAL REACH

4 of the projects in City of Tshwane
1 in City of Ekurhuleni
1 in City of Cape Town
3 in Buffalo City
2 in eThekweni



Key Success: 4. Industrial Financing – IDC Support

IDC INDUSTRY SUPPORT	IDC FOCUS AREAS	IDC INITIATIVES	POTENTIAL IMPACT Value of support provided, capacity expansions; production increases; jobs
<p>Facilitated Investment & growth</p> <p>Total financing of R3.26 bn</p> <p><u>1446 direct jobs</u> to be created</p>	Machinery and Equipment	<ul style="list-style-type: none"> • Manufacture of electrical and gas stove products for residential and commercial markets. • Pumps, compressors, taps and valves 	<ul style="list-style-type: none"> • Increased localisation & capacity, R60 million and 65 new jobs • R53 million and 50 new jobs
	Mining & Metals	<ul style="list-style-type: none"> • Mini-mill expansion & foundry projects 	<ul style="list-style-type: none"> • Alrode, Gauteng mini-mill expansion (R200m, 650 new jobs) • COVID distressed funding support for mini-mill in Babalegi (R50m, saved 57 jobs) • New mini-mill capacity in Meyerton (R400m and 326 new jobs) • Foundry support R100m, 121 new jobs • Flat steel diversification R500m, 79 new jobs
		<ul style="list-style-type: none"> • Create capacity for exports 	<ul style="list-style-type: none"> • Support and guarantee to double capacity of steel export facility in Coega IDZ (95% complete). 100 new jobs
	Automotive and transport equipment	<ul style="list-style-type: none"> • Support rail rolling stock component manufacturing • Railway and tramway locomotives 	<ul style="list-style-type: none"> • Distressed rail component manufacturer in Germiston (R328m) • IDC funding support - R70m and 55 new jobs
	Infrastructure	<ul style="list-style-type: none"> • Water infrastructure 	<ul style="list-style-type: none"> • Localisation of steel inputs • R1.5bn

Key Success: 5. Steel Capacity – Investment in Highveld


Selaelo Ramusi, the CEO of Bonheur and Robusteel said: “This acquisition underpins inclusive economic growth and transformation through local beneficiation of resources by a black-owned entity in the heavy industrial sector. Given the nature of the assets acquired, this is an important step towards the re-industrialisation of the economy and the establishment of a competitive steel and manufacturing facility in South Africa. Our acquisition is in-line with the recently-published Steel Master Plan.”



Highveld Steel was in business rescue since 2015



Acquired by Highveld Robusteel Proprietary limited 2nd week of November 2021 for R1.65 Billion (USD 105 million)



At full production, Robusteel will produce vanadium bearing pig-iron, various flat steel products, vanadium pentoxide slag and structural blooms



Robusteel is jointly held by Bonheur Ventures Proprietary Limited and Amplico Resource Management Limited



Reopening of Highveld Robusteel Proprietary limited → 900 new jobs to be created, the upskilling of local labour, artisanal and engineering personnel and also providing localised supplier development opportunities

Key Success: 5. Steel Capacity – CISCO Steel



DHT Holding Africa (Pty) Ltd t/a CISCO (Cape Town Iron and Steel Company)

- Came out of business rescue after it has been taken over by Kamal Steels Ltd. (Dar es Salaam, Tanzania) on the 12th November 2021
- The Kamal Group took 100% ownership of the steel plant which has a steel making capacity of 200 000t/a via the EAF route. Investment made: R290million
- Although the plant has the capability to produce rebar (short for reinforcing bar), it will start to deliver billet to the Kamal Re-rolling mills in Tanzania from January 2022
- 125 full time employees will be required to run the mill
- Kamal Group registered its flagship Company Kamal Steel Limited in 2004 and today has become largest Hi-Tensile Steel Re-bars producer in East Africa

6. Localisation Programme




Over the reporting period, a number of initiatives have been implemented to support localisation and deepening of SA capabilities in the Steel and Metal Fabrication value chain

A few intervention highlights follows...





Localisation Programme

6.1 LOCALISATION IN KEY INFRASTRUCTURE PROGRAMMES




Of approx. R5.5b total wheel tender, Transnet Engineering (TE) has recently issued **Letters of Awards. a 5-year wheels (forged and cast) tender** to local manufacturers:

- 
- Split awarded is considered on 34' wheels to Cast Products SA (ex. Scaw) and Naledi Ringrollers (a Black Industrialist) to the value of R2.5billion and 30% of 36' wheels is considered for award to Naledi Ringrollers
 - TE and the suppliers are in contract negotiations stage, with the final outcome anticipated in early 2022
 - TE is yet to make a decision on the remainder of the 36' wheel allocation
 - This has been possible due to the designation of wheels under the rolling stock local content requirements



SGB-SMIT POWER MATLA (SSPM) PTY LTD have **sub-contracted 5 of the Transformer Class 1 & 2 units** to ACTOM PTY LTD. These are partial units Eskom awarded to SSPM but SSPM could not meet the contractual obligations due to the fire at their facility that occurred in March 2021. The partnership has enabled continued local manufacturing and fulfilment of the transformer designation requirements



Localisation Programme, cont.

6.1 LOCALISATION IN KEY INFRASTRUCTURE PROGRAMMES



- In 2013, Gibela Rail Transportation was awarded a tender by PRASA to supply 3 600 passenger coaches (600 train-sets) with incremental local content commitments
- As part of the OEM localisation strategy, the consortium has converted its training centre (3600sqm) into a Traction Motors manufacturing facility. This workshop will produce 4 traction motors a day and create 90 new jobs
- Currently, the traction motors utilised in the train production line are procured from France. This investment was officially launched by Minister of Transport on 29 October 2021



- Secured support from Transnet to consider a **developmental approach in their scrap disposal strategy** to ensure the availability of affordable scrap metal for the consuming industry
- First round of the procurement closed in October 2021 and only local processors (i.e. mills; secondary smelters and foundries) will be considered





Localisation Programme

6.2 LOCALISATION OF AUTOMOTIVE COMPONENTS



The National Foundry Technology Network (NFTN) – Competitiveness Improvement Programme of **the dtic to support import replacement**, provided R700 000 support to Prevail Engineering Foundry based in Vereeniging. The intervention together with an investment of R7m on new tooling from the company resulted in the company:

- securing 7 year supply contracts for automotive components with four Auto OEMs for mirror base and wiper pivot castings for local and export markets
- securing a contract from a Lighting company to supply LED Light Fitting Housings

The contracts have resulted in the 55 job retention with opportunities to re-absorb 22 workers (previously retrenched) when the Ford SA contract commences in July 2022; and additional investment in machining capacity



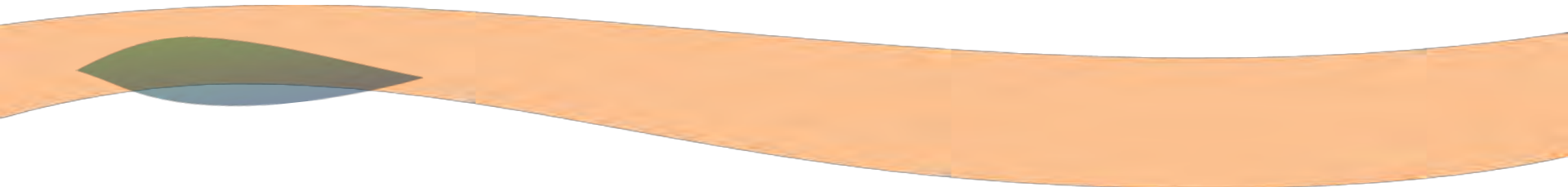
New investments



New Jobs

6.3 SABS AND INDUSTRY COLLABORATION

- Industry stakeholders met with SABS: the outcome of the discussion was an recognition of the importance of SABS in promoting quality, conformity assessment and certification in the value chain
- Upgrading of SABS testing infrastructure and improvements in the standard setting processes were identified as critical areas to providing the industry with the necessary support
- The SABS presented the Local Content Grading Scheme as a solution to monitoring of compliance in the sector. The scheme is anticipated to will assist the industry in determining the level of local manufacturing and to deepen value addition where feasible



Equipment Name	SABS Lab Name	Comments
Tensile machine	Mechanical & metallurgy	Current capacity - Full - SANS 675. 10224
Tensile test rig	Mechanical & metallurgy	Tested once partially at client's premises, no testing requests (wire mesh) or clamping
Tensile, bending, flattening & flaring	Mechanical	Full testing in place
Coating thickness gauge	Mechanical	Full testing in place
Microstructure analysis microscope	Mechanical	Very high magnification microscope required for test, subcontracting to external lab at the moment
Tensile, pressure tests, drop test	Mechanical & Plumbing	Full testing in place
Wet chemical analysis	Mechanical & metallurgy	Currently subcontracting the wet analysis
Tensile, chemical analysis	Mechanical	Full spec testing in place
Tensile, Bending, weighing	Mechanical	Full spec testing in place
Chemical analysis	Metallurgy	Full spec testing in place
Load tests, chemical	Mechanical	Full spec testing in place
Tensile, chemical analysis	Mechanical	Full spec testing in place
Load tests, chemical, endurance	Mechanical	Investment made into equipment, minor tweaks required to operate equipment
Drop/crush/load	Packaging	Full spec testing in place

Localisation Programme

6.4 ACCREDITATION AND CERTIFICATION SUPPORT TO SUPPORT AND DEEPEN SA CAPABILITIES

Cullin Africa

- The dtic with the support of DPE facilitated discussions with Eskom KZN to support the localisation efforts of Cullin Africa, a local IPCs manufacturer with a production facility in Cape Town
- Cullin Africa **invested R1.2 million** in the production line of IPC, **succeeded in acquiring the necessary approvals from Eskom (including certification on the new SANS 50483 specifications)** and was subsequently awarded about R1m work by Eskom. Eskom is the process of issuing RFQs for the same product

LVSA Group

- LVSA Group is approved with standards to design, development, manufacturing, and supply of industrial valves. **In Sept. 2021**, LVSA was also audited and **recommended by the American Petroleum Institute (API)** for the approval of manufacturing and producing valves for the oil, gas and petroleum sector
- LVSA Group, a black owned Valve manufacturer located in KZN, supported by the IDC with a loan of R105m, R35m from the Black Industrialist Scheme (BIS) and Shareholders' contribution of R48 million in Property and R24 million in Plant and Stock

Progress Report on 6 Focus Areas



1. Supply Side
2. Demand side
3. Resource Mobilisation
4. AfCTFA & Exports Markets
5. Human Resources
6. Transformation



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Focus Area: Supply Side

Key Priorities & Deliverables achieved to date Interventions to improve input costs and supply across the value chain

Load sharing

Rotational load-sharing programme is completed, companies requested to postpone the pilot until June 2022 to be able to participate in a current strong demand cycle

Scrap Metal Export Tax

Scrap metal export tax has come into effect from 1 August 2021

PPS

The Price Preference System (PPS) has been extended for 2 years until July 2023 to complement the implementation of the export tax and ensure local market preference before exports

Standards



Standards: Industry has drafted a specification on roof sheeting products, NRCS is reviewing.

SABS focus on Upgrading their testing labs following industry engagements which identified standards and further testing support required



IDC

Working with IDC to identify opportunities – some programmes underway

FOCUS AREA: SUPPLY SIDE

Key Priorities and Deliverables Achieved to date



- ✓ Various rebate investigations to address primary steel non-availability and/or shortages have been completed ITAC and under consideration by the department
- ✓ Workshop held with ITAC on current value added export rebates – several industry players are now aware
- ✓ AMSA has reviewed the value added export rebate offering for the downstream industry and is agreeing to extend application timelines and develop a streamlined system that is able to better respond to value added exporters
- ✓ Analysis and development a proposal on iron ore and coking coal pricing report with recommendations completed and interdepartmental consultations to commence btw. DTIC & DMRE

Improve steel supply across the value chain

FOCUS AREA: SUPPLY SIDE, cont.

Key Priorities and Deliverables Achieved to date



Improve steel supply across the value chain

✓ A monthly communication piece – reporting the availability and supply lead-times of the primary steel mills – was launched in August 2021 and is well received by the players in the value chain

✓ Supply and Demand Matrix developed. South Africa's Steelmakers have sufficient production capability to supply the regional demand. (Note: Recent closures can be reversed; can be the flagship and industry leading footprint compared to global standards – Green steel in Saldanha)

✓ Diversification and expansion of Scaw Metals – a long product steel producer – to produce flats products in the form of Thin Gauge Hot Rolled Coil. The transaction with IDC recently finalized together with a consortium of commercial banks with IDC funding R500m, commercial banks funding of R1bn and Scaw internal funding of R500m → total investment of R2bn







Initiatives: Supply-side

SUPPLY		IDC FOCUS AREAS	IDC INITIATIVES	POTENTIAL IMPACT
Input Prices		Interventions to improve input costs and supply across the value chain	Direct Reduced Iron Manufacturing: •Masorini Direct reduced iron (DRI) manufacturing project at bankable feasibility (hot commissioning to be concluded end Jan) •Exploring other opportunities with mining companies	<ul style="list-style-type: none"> Novel technology to exploit use of otherwise unusable iron ore fines to produce low-cost metallic units for steel industry. 55 jobs Input into Green Steel production IDC Funding: R208m
			Metallurgical Coal local Supply •MC Mining Project feasibility	<ul style="list-style-type: none"> Access to affordable coking coal inputs reducing the reliance on imports R160m, 800 jobs
			Scrap availability •Green Ship Recycling at bankable feasibility study (Saldanha)	<ul style="list-style-type: none"> Supply and access to additional scrap as input into metal and downstream manufacturing 400 jobs IDC Funding: R7.5m
Long steel overcapacity		Improve steel supply across the value chain	Steel diversification and localisation strategy (study to identify market matching opportunities)	<ul style="list-style-type: none"> Potential for diversification of IDC portfolio into competitive products needed for mining, automobiles, rail and exports
Demand/Supply mismatch			Long steel mill diversification into flat steel	<ul style="list-style-type: none"> R500m and 79 new jobs



Focus Area: Demand Side

KEY PRIORITIES AND DELIVERABLES ACHIEVED TO DATE

-  Draft Infrastructure Project List completed based on priority areas, Water, Energy, Roads/Bridges + Sasol Clean Fuels II
 -  Initial discussions held with Presidential Infrastructure Office with commitment to align projects and localisation requirements
 -  OEMs on the SA Automotive Steel Localisation Road Map & alignment to Steel and Metal Fabrication master plan
 -  Scope defined for steel products with private sector partners: Construction driven value chains, engineered Products, Steel Products and Steel Piping
 -  Blueprint of Local Content Compliance Unit set up and collaboration with Proudly SA and SABS to improve the effectiveness including local content verification
- 

Focus Area: Demand Side, cont.

Increased support working with the Inter Agency Working Group on illegal and illicit goods to seize and search cargo including increased surveillance on scrap metals export containers

Prior Surveillance system to track imports has been recommended by the work stream. Due to a surge of imports in corrugated roof sheeting, a recommendation is made to ITAC to pilot this product

SARS Inter Agency is already driving various activities:

- ✓ There are currently over 118 cases that are within the audit and investigation space with proposed revenue potential around R 55 Million
- ✓ 8 out of 12 cases reported are under investigation
- ✓ Fasteners: 6 cases pending: 4 clients have submitted documents that are currently being reviewed by SARS. 2: cases still pending. In one of these cases, the client paid a penalty for failing to submit documents. Additionally, R 2.1m letter of intent issued and SARS awaiting representations from the client
- ✓ Corrugated Iron sheeting: 3 further cases received and will be audited in November 2021. SARS has already allocated cases and working through the risk profile



Focus Area: Demand Side,cont.



MINING DIGITISATION AND LOCALISATION OF MINING INDUSTRY SUPPLY CHAIN



- Funding Allocation from DTIC (4.5MZAR) and from DSI (3,1MZAR) in place
- Stakeholder mapping and analysis completed
- System engineer support secured on a pro bono bases
- Minerals Council confirmed support for project



Initiatives: Demand-side

DEMAND	IDC FOCUS AREAS	IDC INITIATIVES	POTENTIAL IMPACT
Infrastructure	Focus on Designated products that will benefit from infrastructure investments	Rail Track Localisation Project Options analysis to be concluded end November	<ul style="list-style-type: none"> A techno-economic study to assess capability, minimum viable capacity requirements and technical gaps to meet requirements for manufacturing of heavy-rail in SA. Localisation 77 000 tons/annum IDC Funding: R3m (prefeasibility study)
Linkage with other supply chains	Supply of steel products into Renewable Energy Projects	<ul style="list-style-type: none"> Drive OEM support for local products Co-fund development of high grade galvanised steel product 	<ul style="list-style-type: none"> Localisation of specialised steel required by OEM's
Exports to rest to Africa	Automotive sector localisation	Co-fund development of specialised high surface finish steels with mills	<ul style="list-style-type: none"> Localisation of specialised steel required by OEM's Estimated renewable and autos localisation 140 000 tons/annum
	Support funding products that will assist access to new markets	<ul style="list-style-type: none"> Intra Africa Trade Facility Pilot ECIC/IDC facility to be implemented as a pilot project and upon successful implementation, rolled out on a fuller scale. 	<ul style="list-style-type: none"> Capex and working capital funding to SA manufacturers to fulfil export orders Direct lending to foreign buyers of SA capital goods and services Guarantees to lenders to cover repayment risks against foreign buyer default Export credit insurance, which covers political and/or commercial risks.

Focus Area: Resource Mobilisation

Key Priorities and Deliverables Achieved

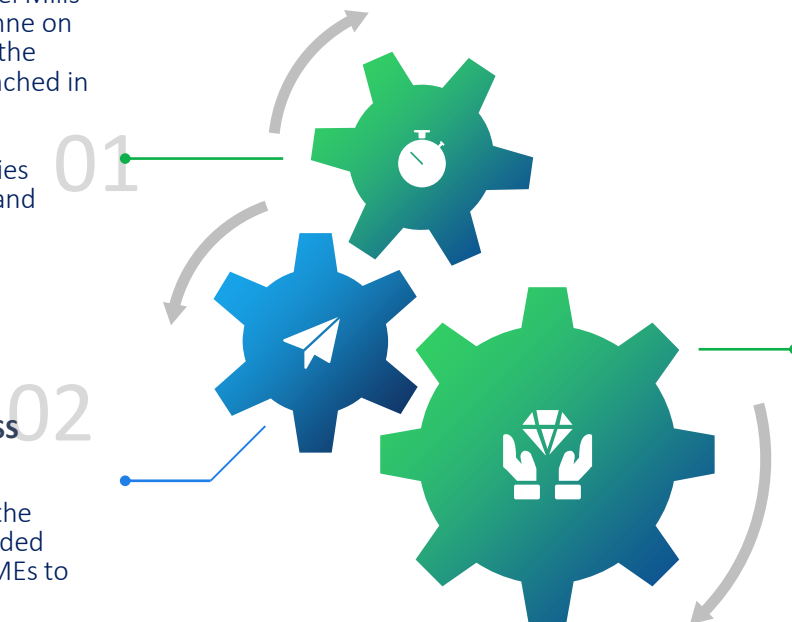
Incentives & Greening the Industry

STEEL FUND

- ✓ An agreement reached with the Steel Mills for a contribution of a R2.00 per tonne on crude steel production to kick start the Steel Development Fund (to be launched in January 2022).
- ✓ As immediate priority, the Fund will support the Compliance Unit activities
- ✓ NPC has been formally established and registered Interim Board appointed

DOWNSTREAM STEEL COMPETITIVENESS INDUSTRY FUND

- ✓ IDC working on the amendments of the Fund to provide, among others, blended funding and credit guarantee to SMMEs to access steel as a key input material



GREEN THE INDUSTRY: DOMESTIC & EXPORT

- ✓ Green Hydrogen Panel set up to drive catalytic projects
- ✓ Engagements with DSI and DEAFF to apply for Global Green Funds to support industry Greening
- ✓ Collaboration with sister departments to support Industry via their specific mandates to align instruments and Interventions
- ✓ IDC considering support for feasibility studies for green steel manufacturing such as the repurposing of Saldanha Steel
- ✓ Working with international community to find co financing programmes



Focus Area: AfCTFA & Exports

Export-oriented growth strategy for the steel value chain: still in process



*** much of this work is still in process***

SA Inc. Export Strategy: agreed that no-one-size-fits-all strategy will meet the diverse industry export drive
Agreed to focus an export strategy on specific segments of Industry

- Exports Rebates to be used support a greater export effort (both ITAC and AMSA)
- All steel mills and merchants to consider how they can contribute towards pooled funds
- immediate focus should be on building on the current export strength –increase exports of successful sub-sectors (commodity type products, consumables, etc.)
- The fabrication sector require special attention given its complexity


First draft of Export Readiness Document developed and consultation with Industry are on-going to identify few countries, projects and programmes that can be prioritised. Export Readiness Surveys were prepared and sent out for response via Industry Associations as well as Export Councils



AGOA & Section 232

African Growth and Opportunity Act (AGOA); U.S. Trade Policy toward Sub-Saharan Africa since 2000, including South Africa. It is non reciprocal U.S. trade preference programme that provides duty free access to the U.S. market for most exports from eligible sub Saharan African countries

Section 232 duties imposed during the Trump Administration

- 23 March 2018, USA announced the decision to impose a tariff of 25% on imports of steel and of 10% on imports of aluminium, applicable to all importers into the US market (Chapter 72, 73 and 76 tariff lines)
 - While a country exemption was not granted, SA companies approached US buyers to apply for product exemptions. Some stainless steel (Columbus) and aluminium (Hulamin) niche products were granted exemptions but all other applications were rejected. Exemptions are only valid for a period of 12 months with a possibility for renewal Current Status
 - Last Ministerial Meeting between SA and the USA agreed that Senior officials from dtic & US team to meet. The main purpose is to review the EU conditions of the lifting of 232, draw learnings and its applicability to South Africa meeting expected to occur in Early December 2021
 - As it stands Section 232 is operational and only those applicable exempted companies can export duty free
- 



Focus Area: HR

Key Priorities & Deliverables achieved to date

*** Much of this work in progress

Improve industrial relations in the sector analysis of transformation levels across industry

- Labour (NUMSA and Solidarity) and Industry agreed to work with Productivity SA as to lead the productivity improvement programmes, i.e.: productivity, wage stability, job retention
- A draft proposal tabled, currently under consideration by the work-stream industrial relations and HR challenges survey completed - developing a set of recommendations underway
- Ongoing discussions between Industry and Unions on stabilisation, career paths and worker participation

Optimize Training and skills development

- Initiated collaboration with the Dept. of Higher Education and Training to identify key trades for piloting; jointly develop and roll-out programmes to enhance skill development and training; update the curriculum; and develop TVET colleges technical infrastructure
- Industry to identify the Trades and gaps in the system

(Note: ongoing discussions on restoring BBBEE points for technical & artisanal training which can also assist to open-up more training facilities)



MATTERS TO BE UNLOCKED

SUPPLY SIDE

- Input costs and impact on the value chain: iron ore prices; electricity and rail performance
- High quality long steel and flat steel in development stage to embrace the localisation drive (Retain and enable capacity utilisation for the high quality local production of flat and long products such as required by the auto and appliance industry)
- IDC applications in the face of overcapacity concerns → repurpose IDC investments to enable balancing of the demand supply challenges and improve the competitiveness for current assets
- Continuous sharpening of the interventions on scrap metals to give industry policy certainty for future long-term investments
- Greening of the Industry to be prioritised working with DFIs and sister departments

DEMAND SIDE

- Although the governance of the Steel fund has been resolved, operational issues to be given more focus
- Infrastructure Project Pipeline: on going collaboration efforts to be strengthened.



KEY FOCUS AREAS/ PRIORITIES FOR THE NEXT 3-6 MONTHS

- **the dtic** is re-tooling to provide greater support and attention to the primary steel work programme AND deepen the implementation platforms of the master plan
- Strengthen implementation actions via the Programme Management Office, which still requires more focus to effectively drive the master plan implementation
- Operationalise the Steel Funds Development Fund and as well as the Industry Growth Fund
- IDC, the dtic, NT to finalise the Downstream Steel Competitiveness Industry amendments and roll out the improved Fund
- Demand side measures, i.e. identification and prioritisation of key projects, must be intensified to increase aggregate demand
- Launch of skills development and training programmes pilots working with Merseta and the DHET
- Accelerate greening the industry – formalise the Green Steel work stream
- Industry Export strategy for specific products
- Capacitating and aligning key institutions: SABs, NRCS, SARS



THANK YOU



the dtic

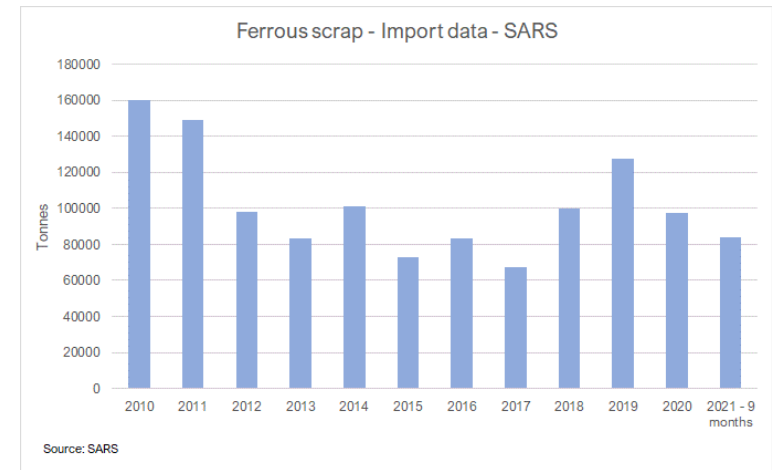
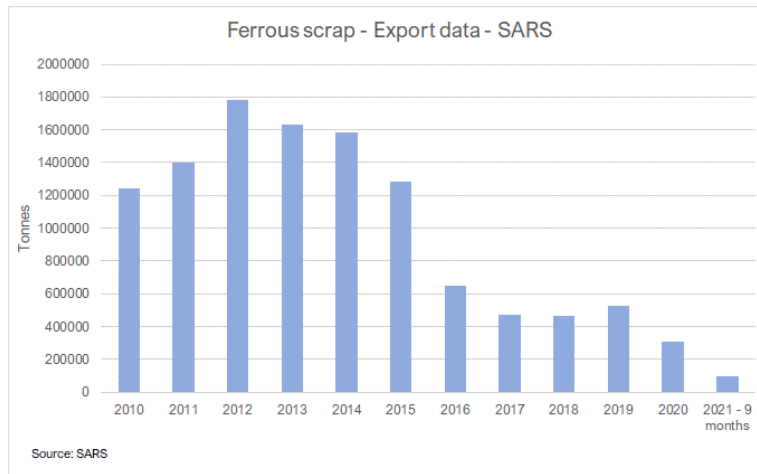
Department
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

the dtic - together, growing the economy

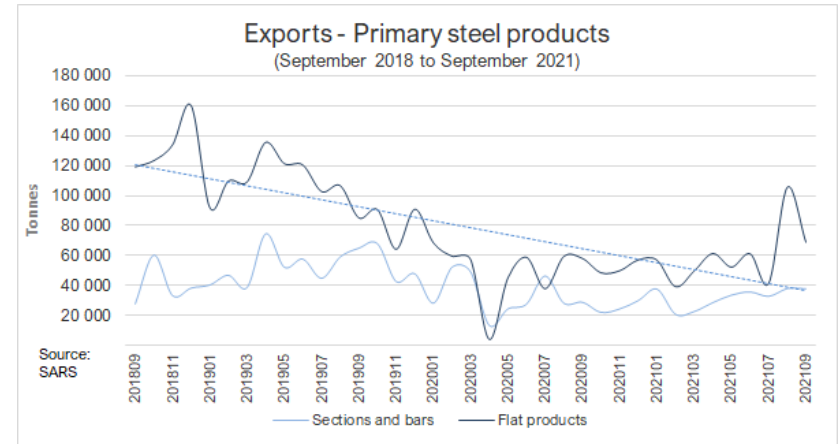
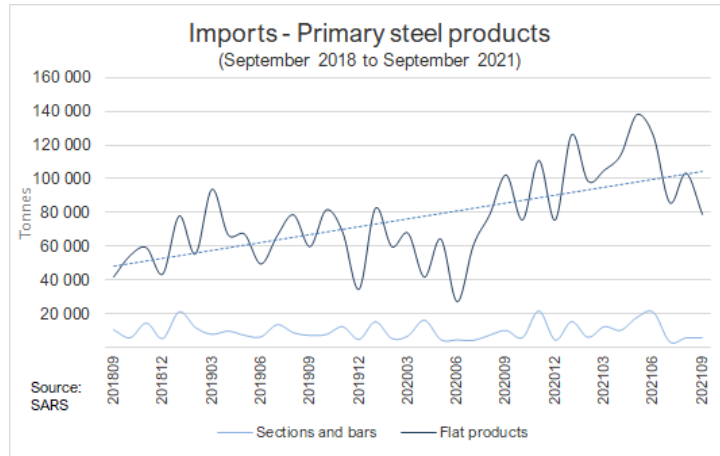
the dtic Customer Contact Centre: 0861 843 384

the dtic Website: www.thedtic.gov.za

SARS trade data: ferrous scrap



SARS trade data: primary steel



SARS trade data: articles of steel

