



the dtic

Department:
Trade, Industry and Competition
REPUBLIC OF SOUTH AFRICA

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MEDIA RELEASE

DATE: 3 JULY 2020

GOVERNMENT COMMENCES URGENT INVESTIGATION INTO THE SUPPLY OF SCRAP TO THE METALS INDUSTRY IN RESPONSE TO COVID-19

The Minister of Trade, Industry and Competition (**the dtic**), Mr Ebrahim Patel, has today issued a trade policy directive to the International Trade Administration Commission of South Africa (ITAC) to urgently look into measures to help support the metals industry which, as a result of COVID-19, is facing several severe challenges due to increased global demand for raw materials and a significant price increase for all main inputs into the sector.

The downturn in global manufacturing resulting from COVID-19, has led to the amount of scrap metal available locally and internationally being dramatically reduced and, as a result, prices have increased sharply. Local mini-mills and foundries have made representations that they are struggling to survive and are calling on government to help protect their investments, save jobs and livelihoods.

"Scrap metal is an essential material for the domestic processing industry, which itself is crucial for the South African manufacturing industry and for infrastructure development. Due to the steep global increase in prices and reduced economic activity, the industry has called on government to urgently assist it. I have therefore issued a trade policy directive to ITAC to urgently investigate the market conditions around the demand-supply imbalance in the scrap metal industry as a result of COVID-19. The objective of this investigation is to determine appropriate amendments to the Price Preference System guidelines which can address the shortage in affordable good quality scrap metal," says Minister Ebrahim Patel.

No ferrous and non-ferrous waste and scrap of any kind may be exported for a period of the investigation unless ITAC determines that it will not be used by the domestic processing industry. This will not affect existing export permits or applications made before

Lefapha la Dikgwebisano, Diintaseteri le Tlholisano • Lefapha la Kgwebo Indasteri le Phadišhano • uMnyango wezoHwebo neZimboni kanye noMncintiswano • Muhasho wa zwa Mbambadzo, Makwevho na Muṭaṭisano • Die Departement van Handel, Nywerheid en Mededinging • Kgoro ya Kgwebo Indasteri le Kgaisano • Ndzawulo ya Vuxavisi, Mabindzu na Mphikizano • Litiko leTekuhweba tiMboni neKuncintiswano • ISebe lezoRhwebo noShishino kunye noKhuphiswano • UmNyango wezokuRhwebelana, amaBubulo nama Phaliswano



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the date of the notice in the government gazette. ITAC has been directed to complete its investigation within a period of 2 months.

"Our long-term plan for the industry, which was announced by the Minister of Finance during his budget speech in 2019, and which is widely agreed upon within the sector, is to introduce an export tax on scrap metal as soon as possible. Whatever measures we take now are temporary to deal with this immediate challenge created by the COVID-19 pandemic, but they also lay the basis for the new Steel industry Masterplan," Minister Patel said.

The metals value chain is central to South Africa's industrialisation and has significant linkages to infrastructure, construction, mining and a range of manufacturing industries. The three largest consumers of metal products in South Africa are the construction industry, the mining industry and the transport equipment manufacturing industry which together account for approximately R750 billion or 15% of SA's GDP and employ nearly 2 million people (both formal and informal).

The scrap metal industry in turn is of critical importance as a supplier of raw material into primary and secondary metal production. The industry contributes R15 billion to GDP and employs about 350 000 people, many of whom are involved in informal collection. Metals are reusable and maintain their useful properties once they have been processed and ultimately scrapped.

Scrap metal is also important as a feedstock in the production of downstream metals due to the relatively lower energy consumption and its lower carbon footprint versus other metal production processes. It is widely seen as a strategic resource and many countries have scrap metal policies and regulations in place to support the development of their domestic metal producing industries. Over 30 countries impose some sort of restriction on scrap metal.

In 2013, a Price Preference System (PPS) administered by the International Trade Administration Commission was introduced by Minister Patel (then the Minister of Economic Development), regulating the export of ferrous and non-ferrous scrap, by not allowing the exportation of scrap metal unless it has first been offered to domestic



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consumers at a discount to the international price at the time of sale. While the PPS has provided greater certainty of affordable scrap metal supply to the local industry, a policy decision has been taken by government to introduce an export tax on scrap metal. **the dtic** and National Treasury are thus working on implementation of an export tax on scrap metal, which is expected to be put in place in due course.

The South African government continues to put in place measures to support the beneficiation and availability of good quality affordable scrap metal to foundries and mills. As announced by President Ramaphosa during his State of the Nation Address in February this year, government is working with industry stakeholders to develop a master plan for the entire steel and metal fabrication value chain. Key parts of the plan are expected to be circulated to industry stakeholders for comment within the next month.

In addition, **the dtic** has established an inter-governmental working group to increase efforts to combat illicit trade of scrap metal with the help of the South African Revenue Service (SARS). In October 2019, SARS announced a fine of R500 000 on the owner of a Durban-based metal recycling company, which pleaded guilty to several charges relating to the illegal exportation of mixed copper and brass scrap.

Click here to access the gazette

http://www.thedtic.gov.za/wp-content/uploads/Ferrous_and_Non_Ferrous_Waste_Scrap_Metal.pdf

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Issued by: The Department of Trade, Industry and Competition