Press release

Steel major calls for drastic measures to counter current steel industry crisis

09 October 2018

Currently, the South African downstream steel sector is beset by numerous severely challenging issues which - if the situation continues unabated - will be severely detrimental to the ongoing viability of the entire steel sector in this country.

One of the primary issues to be addressed is the ‘stalemate’ industry has been experiencing for some time with South Africa’s primary steel producer. It is strongly recommended that careful scrutiny of the short, medium and long-term viability of the mill be undertaken urgently.

This is according to Warne Rippon, Executive Director of leading value-added processor and steel major, Allied Steelrode.

“The local downstream steel sector has been placed in an untenable position with an outdated mill producing expensive steel – the quality of which leaves much to be desired – in a total monopoly with no competitor since the closure of Highveld Steel.

For these reasons – and if it is established that the primary steel producer is not able to either operate fairly or indeed to the benefit of South Africa's steel industry – due to the lack of technological or financial investment - closure of the facility could potentially become an unfortunate reality,” Rippon asserts.

He adds that, should this eventuality transpire, the alternative would be to invite selected foreign steel mills to export to South Africa – which would need to be imported duty-free and warehoused locally - so that the industry could have accessible and affordable steel readily available.

Rippon estimates that this would stimulate the downstream sector – currently totally in the doldrums - and result in consumers paying up to 30% less per kilogram of steel.

"This would, in turn, stimulate a broad spectrum of steel-consuming industries; and would ultimately see increased tax revenues flowing to our fiscus, which is not the case with the current loss-making raw steel producer," he explains.

The downstream steel sector has to contend with various very thorny and troublesome issues at present: most notably, the erratic and unpredictable fluctuations in the primary pricing of steel.

"These fluctuations make quoting even three months ahead exceptionally challenging," continues Rippon.

A further issue is the lack of structured discounts from the primary raw steel producer to leading tier 1 steel suppliers. Rippon points out that this lack of procurement incentive is compelling local steel suppliers to consider importing more of their requirements from foreign steel suppliers.

“The drive to import is gaining more impetus on a daily basis, as there is serious doubt in the industry about the ability of the local raw steel to produce the level of quality required by manufacturers such as the automotive sector; or, for example, to produce hard-wearing steel in coil plate such as MC 700 material – and many other popular products which industry requires. This is really impacting on the downstream sector’s ability to be competitive,” he emphasises.

In addition, Rippon echoes an over-arching concern expressed by many companies in the downstream steel sector, about the fact that protective government tariffs appear to be to the sole benefit of the steel mill - and afford no protection to other steel industry participants.

The resulting lack of competitiveness has seen South Africa's steel industry, which used to be Africa's ‘go to’ source for project steel, being supplanted by Chinese and European suppliers, which are able to supply steel at quality and prices that are highly competitive.

"Regarding local projects, when they awarded, government should also provide incentives to local steel companies to buy locally produced material, a factor that would protect the local industry and jobs," Rippon adds.

Regarding the cement industry, which is a direct competitor to steel, Rippon points out that much of this material is imported; and questions whether these imports are tariffed correctly and are in line with the steel imports need to be answered.

The current crisis in South Africa's steel industry is being exacerbated the current dearth of infrastructure projects; which does not look set to change any time soon, despite the recent economic stimulus package announcements.

"The steel industry and the CEO task force – of which we as Allied Steelrode are inaugural and driving members - are urgently seeking the engagement and co-operation of government in mapping out a realistic recovery plan which will breathe new life into the downstream steel sector – and ultimately also South Africa's economy," Rippon concludes.

Ends

(663 words)

<u>Note to Editors</u>

About Allied Steelrode

Allied Steelrode was founded through a merger of Allied Chemical and Steel Pty Ltd and Steelrode Pty in 2011. The company has grown to be a leading independent steel supplier and processor, which supplies high-volume merchants and end-users with bulk coils, slit strip, flat steel, steel pressings, standard sheets and the entire structural steel portfolio of products.

To differentiate the company while adding value to customer processes and maintaining consistent growth, Allied Steelrode has systematically invested in the most advanced steel processing equipment such as a tube laser and a dedicated stretcher leveller facility for upgrading steel sheet.

Quality improvement, consistency and reliability of supply and customer service excellence are key drivers for this Alrode-based company. Hand-in-hand with this is a dedication to the highest levels of efficiency.

Allied Steelrode is ISO 9001:2015 certified.

Editorial Contact

Kendal Hunt
Managing Director
Kendal Hunt Communications PR and Media Liaison Agency
+27 - 11 462 6188
+27 - 82 823 6533
kendal@kendalhunt.co.za