SOUTH AFRICAN IRON & STEEL INSTITUTE

Conexlinks offices,
Ground floor,
Rust Building,
1 Frikkie Meyer str
Pretoria-west

PO Box 6318
Pretoria
0001
South Africa

Tel: +27-12-380 0900
e-mail: saisi@saisi.org
website: www.saisi.org

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South Africa stand to lose a significant edge in high-tech capability with the announcement made by AMSA to start the process in exiting their Long Steel Products business in Newcastle, Vereeniging, and the mills dependent in input material from Newcastle (e.g. ArcelorMittal Rail and Structures (AMRAS) in Emalahleni)

The ArcelorMittal South Africa's (AMSA) Long Steel Products business play a critical role in mineral beneficiation, quadruple the economic value of South Africa's iron ore and is a key enabler of important parts of the economy, especially the Newcastle Works in KZN where its capacity to generate jobs and earn valuable export revenue contribute substantially to the regional economy. The rolling of the products at the different sites operated by AMSA's Long Steel Products are largely linked by their reliance on the steelmaking activity at the Newcastle plant. Newcastle Municipality relies on AMSA's Newcastle Works to subscribe to its Integrated Development Plan (IDP) which focuses on job creation, inclusive economic growth, quality education and improved social responsibility. AMSA's Long Steel Products business employs 3 500 employees and service contractors. The impact when closing the plant is much wider than the immediate vicinity of its location but will affect various steel-using industries throughout the country due to the business's supply of unique products required especially by the automotive, construction, mining, and agriculture industries. Measuring the impact of employment, nationally, a further c. 35 700 jobs are supported in direct and indirect suppliers, for a total of c. 39 400 jobs nationwide, highlighting the importance of AMSA's Long Steel Products business on the county's employment rate.

The AMSA's Long Steel Products business operations is the only long steel producer in South Africa capable of producing unique products from virgin iron ore. This not only covers the complete range of bar and structural steels on offer, but also their ability to make the range from high to ultra-low carbon, and various alloyed specifications to international standards.

Steelmaking remains a key strategic industry for South Africa and plays a crucial beneficiation role for the country's iron ore, adding R24.6 billion in value to its raw materials base. It also underpins several other key industries including agriculture, construction, automotive and mining.

The top 5 of these industries contribute 20% of South Africa's GDP and employ 8 million people. It would take a decade to re-establish the country's steel industry if it were to dissolve. In this space, the AMSA's Long Steel Products business delivers a crucial contribution in the making of very sophisticated steel grades and special profiles to fabricators in all the key industries. Some 65 countries around the world have a domestic steel industry and foster their integrated steelmaking capability, including all South Africa's peer nations, all the BRICS countries, and other fast-growing developing economies. There is a positive correlation between steel intensity and growth in developing economies, and many elements of South Africa's National Development Plan (NDP) depend on steel, especially those made by AMSA's Long Steel Products business.

A high-level assessment indicates that around 50% of AMSA's current long steel supply is beyond the ability of local alternatives due to:

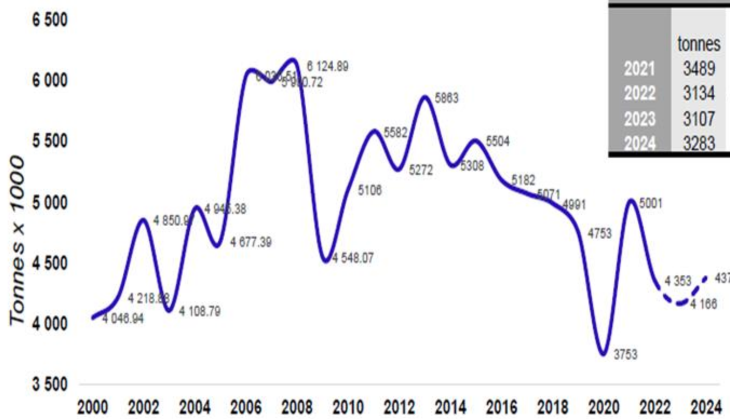
1. A narrow size range offered.
2. Steelmaking limitations to produce sophisticated steel grades.
3. Specialised products like cross-ribbed flat bar, hollow drill, half pipe sections, fish plates, tie plates, plough bars, and mine support bars and more.
4. Special processing such as kocks-tolerances.

The impact will be significant for some industries such as the Bright Bar Industry, the Spring Manufacturers, the Fastener Industry, Agri-appliances, Automotive components suppliers, those suppliers in the non-automotive components to the mining industry, and lastly the mining industry itself.

The factors cited by AMSA's Long Steel Products business, and particularly the Newcastle Works remains rising cost. ArcelorMittal South Africa continues to face a significant rise in its costs of production. The largest share of this is attributed to iron ore costs, transport costs from Transnet, and coal costs. In the Newcastle Works' case the share is even higher due to the proximity of their market and the fact that none of the products can be moved by rail. Although the outlook for iron ore prices coming down, the situation in South Africa where the scrap trade is governed by the PPS, creates a significant imbalance for the integrated mill.

The local steel market experienced a tough year in 2022/23 with steel consumption levels like those at the turn of the century. The outlook for 2024, although more positive, does not deliver enough steel demand to sustain local production. Steel consumption has decreased by 18% over the past two years. At the same time, imports surged to above 25% of apparent steel use in the country – up from 10% eight years ago. The result is that the local steel mills compete for a continuing shrinking demand, impacting severely on AMSA's Long Steel Products business.

Year	Local despatches		Imports		App consumption	
	tonnes	growth	tonnes	% of app cons	tonnes	growth
2021	3489		1512	30%	5001	
2022	3134	-10.2%	1219	28%	4353	-13.0%
2023	3107	-0.9%	1059	25%	4166	-4.3%
2024	3283	5.7%	1096	25%	4379	5.1%



For the survival of the AMSA's Long Steel Products business, the following need the highest priority:

1. Equalize the disparity caused by the PPS on scrap supply by expediting the PPS Proposal for iron ore and coking coal.
2. To lower the cost of supply to the Gauteng market – implement a rail transfer solution.
3. Fix the structural challenges faced by the Newcastle Works which are multi-various and consequently, including negotiations to reduce rail and port tariffs and costs, public private partnership opportunities relating to cost competitive material supply etc.
4. Expedite the infrastructure programme for increased steel demand.
5. Consider a blanket steel tariff approach like Section 232 applied in the USA to curb the massive inflow of steel from abroad.
6. Stop import tariff waivers when alternative steel applications are available.

Charles Dednam
Secretary General
South Africa Iron and Steel Institute