

Act excludes some steel

Revised policy framework likely to lead to job losses – ArcelorMittal SA

Samuel Mungadze

THE Department of Trade and Industry (DTI) yesterday confirmed plans that certain steel products would be excluded from the revised Preferential Procurement Policy Framework Act (PPPFA) regulations, with the view of curbing pricing issues.

The department said the exclusion was essential in relation to flat steel products, in particular. The DTI said that was due to an absence of a developmental steel price combined with an effective domestic monopoly in the production of most of these products.

The move is expected to hurt local steel manufacturing giant ArcelorMittal SA, whose share price tanked by 5% on Monday when the news of this initiative came to light.

ArcelorMittal SA this week reacted by saying the move "... may unfortunately lead to further job losses in certain sectors of the steel industry".

The DTI said: "It is self evident that, far from being a negative development for intermediate input industries such as steel, the designation process will provide a massive boost to these industries over coming years, provided they ensure that their products are competitively priced both in relation to imports and in relation to prices charged in other comparable markets."

The excluded products are mainly inputs into the components and final products purchased by public entities: particularly flat primary steel products will be excluded in the revised PPPFA regulations which came into effect on the December 7 last year.



NOT LOCAL: ArcelorMittal has warned that more imports under the revised regulations may cost jobs in South Africa,

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"These intermediate input industries, such as flat primary steel products, generally enjoy significant protection in the form of a high level of domestic market dominance coupled with high logistics costs for imported alternatives," said the department.

The revised PPPFA regulations empower the department to designate industries, sectors and sub-sectors for

local production at a specified level of local content. Five sectors, including rolling stock, power pylons, bus bodies, canned/processed vegetables, and textile, clothing, leather and footwear, have so far been designated for local production with minimum local content thresholds.

The DTI said South Africa had a large public investment programme

in the electricity and transport sectors in particular.

"This presents a massive opportunity for a range of manufacturing sectors producing components and final products in designated sectors as well as the sectors which provide intermediate inputs into these components and final products," the DTI said

samuelm@thenewage.co.za