

Financial aid to local steel exporters increased

South African exporters of value-added carbon-steel products are to receive further financial support through the industry's representative body, the South African Iron and Steel Institute.

The institute has announced that it will increase the assistance offered to value-added carbon-steel exporters by 28,2%, from R135 to R173 a ton, backdated to February 1.

This would allow the exporters to compete more effectively in world markets after the global financial crisis hit beneficiated steel exports, along with rocketing rises in electricity and wage costs, it said.

The news comes as the industry is reeling and may not save companies like Evraz Highveld, which gave notice of possible retrenchments as part of a comprehensive cost-reduction programme. The company said consultations with employee representatives had begun, facilitated by the Commission for Conciliation, Mediation and Arbitration (CCMA).

The institute, whose membership consists of SA's primary steel makers as well as Columbus Stainless, administers the scheme through what is called the Committee of Secondary Manufacture Fund.

This is fully funded by the makers of carbon-steel products in SA – ArcelorMittal SA, Evraz Highveld Steel and Vanadium, Cape Gate and Scaw Metals Group – and is independent of rebates offered to the value-added steel industry by the institute's individual members.

"The increase in export assistance has a threefold aim: to stimulate the export market in the current economic climate; to revive exporters that are currently not competitive; and to assist in creating and maintaining jobs in the sector," the institute's acting secretary-general, Johann Nel, said.

Among other troubled companies was ArcelorMittal SA, which has been under considerable political pressure to offer SA's downstream steel producers "developmental state" prices.

The group has had a difficult time making ends meet of late, and this was worsened by two major production losses last year.

It expected a better three months in its first-quarter results after a loss before tax of R266 million in the fourth quarter last year, and more than double that in the previous quarter.

Johannesburg-listed ferrochrome producer Merafe Resources said output from its joint venture with London-listed Xstrata fell 21% in the first quarter from the same period last year after it closed some furnaces to reduce power use. It had earlier struck a deal with Eskom that allowed the utility to buy back the energy the furnaces would have consumed.

Mr Nel said the Committee of Secondary Manufacture Fund was established in June 1972 by primary carbon-steel producers in SA to enhance the downstream steel processing industry's export potential.

"The fund has contributed more than R246 million in assistance during the past five years to exporters who have added at least 20% value or more to primary steel products," he said.

Such products included automotive parts, containers, welding rods and cables.

Abrie Audie, an information specialist at the institute, said the Committee of Secondary Manufacture Fund was 100% privately funded and fully compliant with World Trade Organisation rules. ■