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INDUSTRIAL POLICY ACTION PLAN

'Buoyant mood' from focus on steel mill

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CAPE TOWN — The Department of Trade and Industry is far advanced in its discussions to secure foreign investment in a new steel mill which will produce low cost steel for local beneficiation, the department's acting deputy director-general Garth Strachan said yesterday.

The construction of the mill — likely to take a few years to complete — would be a huge achievement for the government's industrial policy action plan (Ipap).

Trade and Industry Minister Rob Davies has long bemoaned the monopolistic, import-parity pricing policy applied by steel giant ArcelorMittal SA, which he said has inhibited the development of a vibrant downstream beneficiation industry.

Beneficiation has been highlighted as a priority for job creation and growing the economy.

The government plan is for the Industrial Development Corporation to enter into a joint venture with a foreign investor and black empowerment partners to establish the new steel mill. The project falls into the metals fabrication, capital and transport equipment sector, identified as one of the key sectors in Ipap 2013-15.

Mr Strachan said the sector had already benefited enormously from the department's dedicated focus. "There has been significant progress," he said in an interview yesterday. The department's policy of designating products for local procurement by the government and its competitive supplier development programme had played an important role in this.

"Unequivocally aggregate demand has increased massively in the metals fabrication, capital and transport equipment sector," he said, particularly with regard to power pylons, components, bus assembly and manufacture and rolling stock. "There is a very significant, buoyant mood (in the industry) about the fact that we are increasing aggregate demand for these products."

Mr Strachan said this would lay a strong foundation for boosting confidence and rebuilding capacity in the sector.

The Ipap document noted that boosting the public infrastructure programme presented the single largest opportunity to stimulate the industry. This could be strengthened by reducing the import leakage of procurement by state-owned firms and government departments.

Major constraints facing the sector included uncompetitive input costs such as electricity, logistics and raw materials. The variable and often out-of-date production and technological capabilities which resulted, made the industry uncompetitive relative to foreign rivals for local contracts.

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