

Motor industry, ArcelorMittal scrap over ISF steel

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ARCELORMITTAL South Africa has drawn criticism for its decision to discontinue the local production of a specific type of steel used by the automotive industry.

Stefan Haasbroek, the chairman of the original equipment manufacturers (OEM) purchasing council – a sub-committee of the National Association of Automobile Manufacturers of SA, said yesterday that ArcelorMittal had notified motor manufacturers in November last year of their intention to stop producing improved surface finish (ISF) steel from June, but had subsequently pushed the date out to December.

ISF is used for the outside panels of some vehicles.

He said ArcelorMittal SA

had proposed alternative sourcing from Europe, but each OEM was now conducting studies to find the best solution for their own operations.

He said the council would write to the Trade and Industry Department to express its opposition to ArcelorMittal SA's decision, which would have a negative affect on the automotive industry's competitiveness.

Haasbroek said the pricing of steel was based on global prices and the cost to local OEMs would increase because of the additional logistics costs in importing the product.

The decision would also have a negative affect on the industry's trade balance, he said. Despite the strong export performance of the industry last year, its negative trade balance rose to a record R38.6 billion

from R30.7bn in 2010.

However, Haasbroek said ArcelorMittal SA's decision would not have a significant affect on local content in domestically produced vehicles.

Themba Hlengani, an ArcelorMittal SA spokesman, said it had announced at the end of last year that it would be discontinuing ISF material for exposed applications and had changed the end date to accommodate the motor industry.

Hlengani said ISF currently comprised less than 5 percent of the total supply portfolio to the automotive industry and, given the low volume of demand in South Africa, it was not economically viable to consider further investment in or upgrading of these lines.

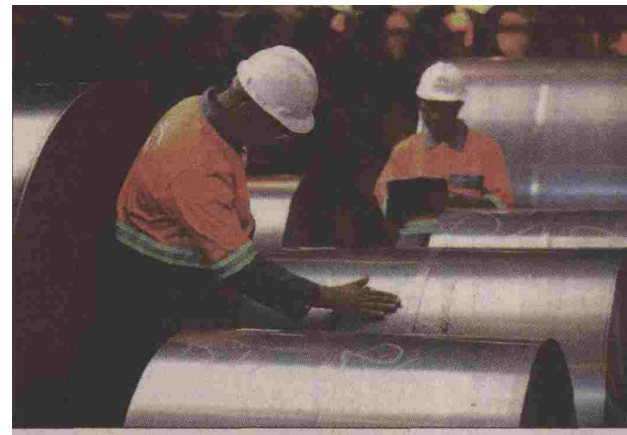
If required, this material could be supplied from its mills

in Europe for use by local manufacturers, he said.

"Our intent, therefore, is to affect a product realignment, which will create additional capacity to supply non-ISF material, which is a significantly larger portfolio where we see an opportunity to increase our volumes in the coming years to match increasing demand.

"The loss of ISF will be more than offset by the increase in non-ISF and other products in the short term. There are no other products that we have discontinued and we remain committed to support the auto industry in South Africa," he said.

Haasbroek said the industry used a total of about 9 000 tons of steel a year and ISF accounted for only about 850 tons of this total. But he said only a



ArcelorMittal SA is due to stop production from December of a type of steel required by the motor industry.

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few OEMs used ISF because of quality and cost considerations.

The industry and ArcelorMittal SA were in the past at loggerheads over the steel producer's decision to introduce

import-parity pricing.

Haasbroek said: "We should enjoy a competitive advantage over other countries that are not as mineral rich... but it's a fact that we do not."