

Sishen steel dispute is settled

THE Sishen Iron Ore Company (SIOC) and ArcelorMittal South Africa (Amsa) have reached agreement for ArcelorMittal's continued supply of iron ore next year, the Trade and Industry Department said yesterday.

The existing commercial agreement between the two companies expires at the end of the month.

"It is government's understanding that the new interim pricing agreement is for one year, and will govern the terms and conditions on which SIOC will sell iron ore to Amsa from the Sishen mine, with effect from January 1 2013," the department said.

Trade and Industry Minister Rob Davies appointed a mediator at the companies' request to facilitate a new agreement.

Mediator Zavareh Rustomjee had been appointed on condition that the agreement would not

prejudice government's policy objectives.

Left unresolved, the dispute could have affected steel production and security of supply.

Under the agreement, Sishen would supply a maximum of 4.8 million tons of iron ore a year to ArcelorMittal. It would receive a weighted average price of \$65 (R562) per ton.

Iron ore specifications, and other terms and conditions, would be the same as those contained in the current interim pricing agreement.

The new agreement secured short-term security of supply and production.

But the companies failed to agree on developmental processes which government had been seeking.

"The agreement does not ensure that a discounted iron ore price will be passed on as a

developmental steel price to the manufacturing sector," Davies said. This underlined the need for a set of policy interventions for the domestic manufacturing sector.

The Mineral Resources Department was amending the Mineral Resources and Petroleum Development Act, in order to secure a competitive advantage for manufacturing.

The Economic Development Department was attempting to safeguard the supply of affordable scrap metal to domestic mills and curtail scrap metal export abuse, and also amending the Competition Act to ensure iron ore price concessions were passed on to downstream users.

The Industrial Development Corporation was also fast-tracking new steel investments to strengthen competition in the sector. — Sapa