

## Steelmaker makes buy-local case as import threat persists

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South Africa's second-largest steel producer Evraz Highveld says it is working with others in the sector to seek the South African government's support for raising the levels of domestic steel in the planned R845-billion public infrastructure roll-out, as imports become an increasing threat.

However, CEO **Mike Garcia** stresses that the proposition centres on the jobs and economic benefits associated with sustaining a local steelmaking capacity rather than on any preferential pricing. In fact, the JSE-listed company insists that import parity pricing should remain the basis for determining domestic steel prices.

This approach is likely to prove controversial, particularly owing to the fact government has, for many years, opposed the use of import parity pricing by ArcelorMittal South Africa and even supported two gold miners in an excessive price complaint that was heard by the Competition Tribunal.

Several consecutive Trade and Industry Ministers, including the incumbent Dr **Rob Davies**, have also raised the issue of high steel prices as a constraint to downstream manufacturing. In addition, the African National Congress' recently released report entitled 'State Intervention in the Minerals Sector' canvasses the idea of establishing a new steel producer to "enhance domestic competition and curtail monopoly pricing".

But Garcia argues: "If a South African company was meeting an import parity price with equal quality, shorter lead times and economic activity, which is supporting thousands of jobs . . . then we believe that value proposition is compelling."

The group said there was a "significant presence of imports" in the domestic market, with most of the steel arising from facilities in China, Thailand and Korea and that it was, thus, investigating "localisation initiatives and incentives" to promote the use of domestic steel. The reinstatement of protection through import duties had not been canvassed, however.

The engagement with government was taking place through various forums, including through Business Unity South Africa.

However, in the near term, Evraz Highveld was likely to pursue export opportunities, owing to the weak domestic market for structural products and the lower flat-steel prices.