

# NCPC-SA INDUSTRIAL EFFICIENCY CONFERENCE

NATIONAL FOUNDRY TECHNOLOGY NETWORK (NFTN)  
FOUNDRY WORKSHOP

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**10 SEPTEMBER 2019**



**the dti**

Department:  
Trade and Industry  
REPUBLIC OF SOUTH AFRICA



# GLOBAL CONTEXT

- Weak global economic recovery and market demand ; global growth on a decelerated mode (3% in 2018)
- Persistent excess capacity -(steel) making the domestic market uncompetitive
- Trade tensions on an increase
- Emergence of recent trends associated with lower metal intensity , e.g. circular economy, substitution, climate change, increased digitalisation etc.



## SA CONTEXT

- The steel and metal fabrication sector, integral to the country's industrialisation path with products, applications and services used across the entire economy –in construction, general engineering, rail, mining, automotives, capital equipment, packaging etc.
- Value Add in 2017- Basic iron&steel and non ferrous and metals (R8bn),employed 53 718; metal fabrication, capital and other transport equipment (R60bn), employed 267 759



## SA CONTEXT

The domestic manufacturing sector, has been under intense pressure;

- contribution to the country's GDP dropping from about 25% in the early 80's to almost 14% in 2018.
- An influx of finished imported goods
- Low economic activity
- An increasing cost base (electricity, rail, logistics, raw material costs)
- Access to affordable and quality scrap metal
- Ageing plant and machinery, lack of investment>>>competitiveness
- An increase in trade remedy measures against unfair trade and localisation policies (stagnating the already diminishing local production and threatening exports)

# CURRENT INTERVENTIONS BY GOVERNMENT: METAL CASTING AND RELATED INDUSTRIES

## 1. The National Foundry Technology Network (NFTN)

- In recognition of the value added by the casting industry in the local manufacturing sector, **the dti designated** the foundry industry as an industry in distress and therefore established the **National Foundry Technology Network (NFTN)** as a support initiative to improve competitiveness in the industry.
- Government and key stakeholders identified key areas for the development of a sustainable foundry industry as well as the bottlenecks to competitiveness. The following are those most frequently identified, irrespective of particular circumstances:
  - Compliance to relevant environmental legislation(s)
  - input material costs (incl energy and access to affordable scrap)
  - Lack of accreditation
  - Ageing plant equipment and lack of investment
  - Insufficient orders
  - Skills development
  - Monitoring and evaluation of localised products

# **CURRENT INTERVENTIONS BY GOVERNMENT: METAL CASTING AND RELATED INDUSTRIES**

## **1. The National Foundry Technology Network (NFTN).....**

The programme focuses on the following areas :

- Accreditation and adherence to the technical standards
- Regulatory compliance (Waste and environmental management)
- Productivity and efficiency (Energy and Quality management)
- Human Capital Development (Skills and Knowledge transfer)
- Product development and Competitiveness enhancement programmes

# CURRENT INTERVENTIONS BY GOVERNMENT: METAL CASTING AND RELATED INDUSTRIES

## 2. Local procurement by government

The localisation policy is premised on **maximising and improving** the local industry's **sustainability and competitiveness**. Therefore, **compliance and enforcement** of the localisation policy is critical for the survival of the local industry. The following Circulars/Instruction Notes are in place and or amended to extend the scope of the designations to close gaps identified:

- Steel Conveyancing Pipes Circular, amended to include Pipe fittings and specials
- Steel Products and Components for Construction
- Steel Conveyancing Pipes Circular to be amended to exclude imported ductile iron pipes, from State procurement. The amended Circular is pending approval by the National Treasury.

# CURRENT INTERVENTIONS BY GOVERNMENT: METAL CASTING AND RELATED INDUSTRIES

## 2. Local procurement by government....

- Steel power pylons to be amended to include line hardware.
- Valves Products and Actuators
- Rail rolling stock sector
- Transformers, shunt reactors and associated components
- Rail signaling & associated components
- Pumps, Medium Voltage Motors, and Associated Equipment

### **The government key focus areas include the following:**

- Improving local content verification (SABS and NRCS)
- Enforcing current designation compliance
- Facilitating local industry participation and collaboration with procuring entities (specifications, product development)
- Strengthen partnerships with the AG (verification and **enforcement measures**)



# CURRENT INTERVENTIONS BY GOVERNMENT: METAL CASTING AND RELATED INDUSTRIES

## 3. Tariff and Trade Remedies

the dti, ITAC and industry have been working together to identify **policy space for tariff support** for local products where there is **local manufacturing capacity**, by increasing tariffs of products where policy space allows. Duties have been increased on and for others to WTO **binding rates**.

**The government key focus areas include the following:**

- Gazetted and will re-convene the ITAC Steel Committee
- Monitor the effectiveness and commitments of the current tariff and safe-guard duties imposed
- Examine policy space for additional support especially on downstream products; consider bound rates on “other” categories and/or suspension of "other" to correct the mis-declarations
- Investigate safeguard duties on downstream products

# CURRENT INTERVENTIONS BY GOVERNMENT: METAL CASTING AND RELATED INDUSTRIES

## 4. Illegal Trade

- There has been a **surge of finished steel imported goods** into the country, most of which are incorrectly declared or under-invoiced, resulting in lesser government revenue collection as well as a threat to jobs in the industry.
- In August 2018, a SARS reference price system was developed together with **the dti**, SARS, industry and labour; for primary and downstream products to address low priced imports. The Reference Price risk rules were activated in August 2018, covering eleven (11) tariff headings, additional seven (7) new tariff headings were added into the price list in December 2018 resulting in 18 tariff headings.

- Exports of scrap\*\*

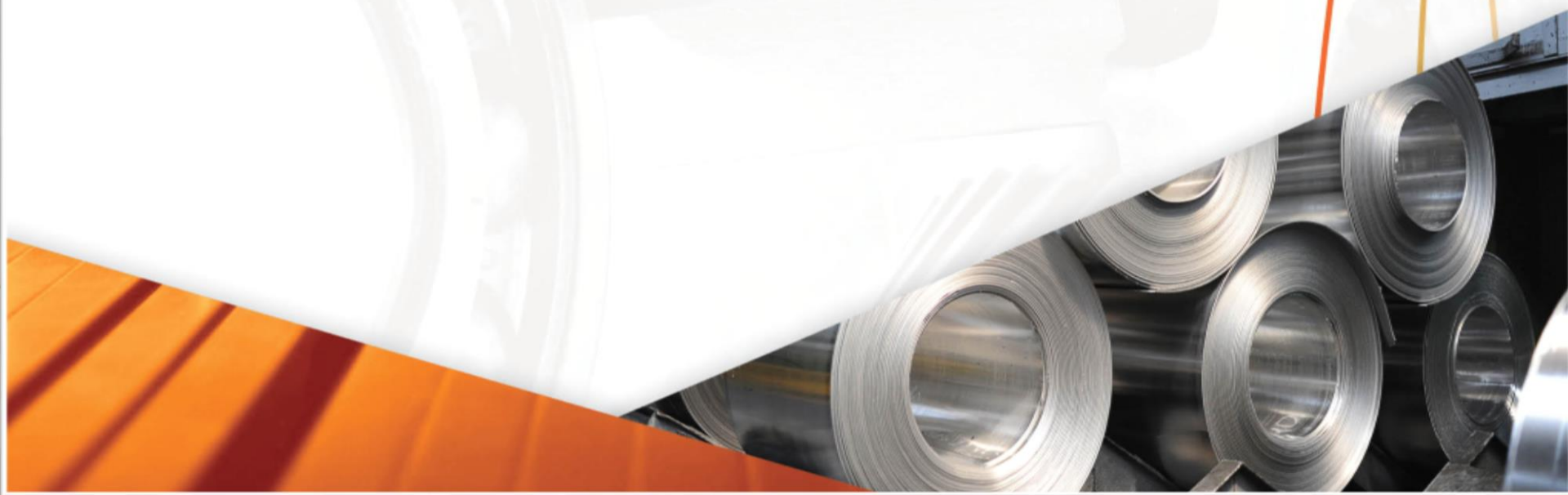
# **CURRENT INTERVENTIONS BY GOVERNMENT: METAL CASTING AND RELATED INDUSTRIES**

## **4. Illegal Trade ....**

**The government key focus areas include the following:**

Strengthen partnership with SARS (custom fraud)

- Interagency working group on illicit trade established
- Address illegal exports of scrap metal and imports of steel products
- Tackle mis-declarations and under-invoicing
- SARS Reference Price Task team strengthened



# **CURRENT INTERVENTIONS BY GOVERNMENT: METAL CASTING AND RELATED INDUSTRIES**

## **5. Scrap Metal**

Currently, the exportation of scrap metal which is an input material to the local foundry industry and mini mills has proven to be problematic, as the local industry is unable to access scrap at competitive prices thus creating a shortage in the local market.

**The government key focus areas include the following:**

- Finalise the scrap metal export tax implementation modalities with National Treasury
- Improve surveillance on illegal exports with SARS



# **CURRENT INTERVENTIONS BY GOVERNMENT: METAL CASTING AND RELATED INDUSTRIES**

## **6. Energy**

A framework of short term incentive pricing was developed; Negotiated Pricing Agreements (NPA) , in support of economic growth and job retention in the productive sectors of the economy. The Short Term electricity pricing application process was approved by the Minister of Energy on the 25th June 2018, and applicable for a period of 24 months.

### **The government key focus areas include the following:**

- Implementation of Short term electricity pricing framework (modalities)
- Engage DPE & DMRE on long term electricity pricing strategy/plan for energy intensive users

# **CURRENT INTERVENTIONS BY GOVERNMENT: METAL CASTING AND RELATED INDUSTRIES**

## **7. Industrial Development Funding- Incentive package**

The Steel Downstream Competitiveness Fund, which is a discounted rate loan, was established through the Industrial Development Corporation (IDC) to avert industry closure and loss of capabilities. However, the uptake has been very slow, owing to amongst other reasons, the current economic climate.

**The government key focus areas include the following:**

- Launching and marketing new criteria for Downstream Steel Competitiveness Fund
- Launching the new grant-based Metal Fabrication Support Fund\*\*

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# GROWTH OPPORTUNITIES

- Sub Saharan Africa growth- projected at 4% growth by 2024 (infrastructure investment; mining, oil and gas, energy, water and rail; increased agricultural production; growing services)
- Exports- leverage on Export Credit Insurance Corporation(ECIC) local content requirements
- Mining Charter- local content requirements
- Automotive Masterplan 2035-local content requirements



# WAYFORWARD

The re-imagined industrial strategy calls for the development and implementation of plans across priority sectors including steel.

These plans are intended to be :

- action-oriented,
- implemented through working with business and labour and
- actioned in stages, so as to move with the requisite urgency to boost growth and economic development.



# WAYFORWARD

## Steel and Metal Fabrication Masterplan:

- Minister of **the dti** had an interactive engagement with steel stakeholders (labour, business and government) on the 20 August 2019 in Pretoria to convey the Government's intention to develop a Steel and Metal Fabrication Masterplan.
- All role players were urged to play a part in developing a **coherent and clear vision** and contribute towards the **growth and competitiveness** of the steel and metal fabrication value chains. Government made a call to each role player to participate in this critical process and make a commitment to ensure this vision is realized.
- Envisaged to have a final working draft by April 2020



In closing;

- government **appreciates the challenges** facing the local industry, and
- is **committed to working with all stakeholders to advance development** and
- **implement** measures aimed at **restoring sustainability** and **employment creation**.
- Together with all stakeholders we continue to **invest in local industry to improve competitiveness**, continuously **innovate** and grow to **deepen local manufacturing capabilities**



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# THANK YOU!

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