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news release

ArcelorMittal South Africa welcomes the designation of steel products in construction

Johannesburg 25 January 2017: ArcelorMittal South Africa welcomes the decision by the Department of Trade and Industry (“the dti”) to regulate the designation of locally produced and locally manufactured steel products and components for construction.

In its recent instruction note, Treasury stipulated that when state procurement bids are considered, such bids must be advertised with the specific bidding condition that only locally produced goods, services or works or locally manufactured goods, with a stipulated minimum threshold for local production and content, will be considered. Several categories of steel products and components have been listed that must have a minimum local content threshold of 100% when participating in state tenders.

Wim de Klerk, Chief Executive Officer of ArcelorMittal South Africa, said: “This is great news for the downstream industry. At ArcelorMittal South Africa, we always believed this was vital to the resuscitation of the entire industry. This is why we dedicated resources to negotiate for the regulation of designation of local steel. The decision by the dti is a clear indication that government has taken cognisance of the challenges facing the local steel industry and is committed to the sustainability of the industry.”

As the leading steel producer in the country, ArcelorMittal South Africa has been working closely with various government departments on protection measures that will ensure the survival of the local steel sector in the face of weak global demand, excess production and an influx of cheap imports into the local market. This is in line with almost all steel producing countries who have imposed protection measures, including import duties, safeguards and anti-dumping measures, to ensure the survival of their respective steel sectors.

“The key building and construction sector typically accounts for one-third of all steel consumption and the designation of local steel content for state infrastructural projects at 100% minimum threshold will assist in diverting import orders back to local manufacturers and producers and strengthening the South African steel sector,” said De Klerk.

The tough conditions in the global and local steel industries have had a significant impact with the demise of a number of large steel producers, including Evraz Highveld Steel and Vanadium Limited, South Africa's second largest steel producer which is now in business rescue. Despite this, steelmaking remains a key strategic industry for South Africa, representing 1.5% of the country's GDP and accounting for about 190 000 jobs. Steel also plays a crucial beneficiation role for the country's iron ore, adding billions in value to its raw materials base. It also underpins several other key industries such as agriculture, construction, mining and automotive.

"This development is an important step in realising our quest to preserve South Africa's primary steel industry which is a key contributor to the country's economic development and underpins the implementation of its National Development Plan," De Klerk added.

"The designation also comes at an opportune time as we have recently signed an agreement with Evraz Highveld Steel and Vanadium where ArcelorMittal South Africa will supply blooms and slabs for processing into heavy structural steel, which is used largely in the construction sector," said De Klerk.

This agreement, which is subject to certain conditions precedent, will result in the re-opening of Evraz Highveld Steel's heavy section mill, creating jobs and strengthening the industry as locally produced heavy structural products will once again be available to the South African market.

Below is the list of products which have been designated at 100% minimum threshold local content:

- Fabricated structural steel
- Joining/connecting components
- Frames
- Roof cladding
- Vertical cladding
- Wire products
- Fasteners
- Ducting and structural pipeworks
- Gutters, downpipes and launders
- Primary Steel Products
 - Plate
 - Sheet
 - Galvanized and colour coated coils
 - Wire rod and drawn wire
 - Sections
 - Reinforcing bar

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ArcelorMittal

Contact person:

Themba Sepotokele

Manager: Corporate Communications and Branding

ArcelorMittal South Africa

Tel: (016) 889 2425 / 083 468 1415