Turn up the volume to boost sector recovery, says the Hot Dip Galvanizers Association Southern Africa (HDGASA)

South Africa's steel industry is at a crucial tipping point, and a carefully considered revision of the *Steel Masterplan* may rescue and spark much-needed economic growth, believes Robin Clarke, Executive Director of the Hot Dip Galvanizers Association Southern Africa (HDGASA).

"We as the HDGASA will add our voice, making recommendations on behalf of the galvanizing sector to government to not only revise policy - but also play its part by providing the industry with the much-needed volumes to ensure its future viability and sustainability," Clarke advises, adding that the complex subset of issues that has plagued individual steel sector role players can be addressed further down the line.

He maintains that agreement must be reached against a broader backdrop of the downstream steel value chain recovery: "For example, in the galvanizing sector, there is a very clear link between the health of the steel sector and the well-being of galvanizers. Whilst galvanizers have fortunately not lost market share to other corrosion control technologies, they have been negatively impacted by the overall decline in volumes due to the substantial decline in steel consumption," he points out.

Observing that discussions always revolve around 'levelling of playing fields', Clarke warns: "The challenge for the local steel sector at present is simply to ensure that there is still a playing field at all! It is this that will create an environment in which to unpack more contentious issues and put the steel sector on the path to real remedial action."

Steel sector stalemate

Clarke explains that the South African steel sector has been in decline since 2014. Currently, although it has the capacity to produce some 10 million tons of steel per annum, consumption hovers around four million tons – and 13 to 15% of that is imported.

Lack of demand and falling volumes have driven up local steel prices, a situation exacerbated by rocketing input costs, the energy crisis and infrastructure bottlenecks. This has also coincided with a global steel oversupply - which saw international prices fall and exporters ready to sell cheaply into struggling markets, such as South Africa.

“Government was called upon to address this enormously complicated situation and, circa 2019, we saw the formulation of the *Steel and Metal Fabrication Master Plan,* commonly referred to as the *‘Steel Master Plan’*. Experts were brought in and a well-intentioned and very detailed plan was developed. However, in our view, that plan lacked oversight. It certainly had merit - but failed due to its complexity,” Clarke notes.

The danger now is that as soon as any revision of the *Steel Master Plan* is published for public comment, there will be objections. Given the current state of the steel sector, it simply does not have time for these delays, Clarke observes.

“Ultimately, policymakers need to address the steel sector challenges in two parts: focusing on the upstream supply chain (steel producers) and on downstream businesses including hot dip galvanizers.

“Both of those sectors have unique challenges, however, there is commonality between the two – both are losing jobs. An increase in steel demand and volumes will reverse this negative trend, so robust steps to ensure this is achieved are a priority,” he maintains.

Galvanizing demand

Complicated polices take too long to implement, Clarke explains: “Once we have created the necessary volumes, steel companies in the upstream and downstream sectors can lobby government regarding the specific subset of problems which impacts them. While we do not believe that there is any one ‘silver bullet’ or instant panacea for the steel industry, we believe that introducing demand-driven volumes will effectively buy the industry more time to reassess its challenges, and look at why the steel sector is not competitive.”

In line with this strategy, the HDGASA is appealing to government to get the process rolling by releasing gazetted infrastructure builds, streamlining IPP (Independent Power Procurement) agreements and providing orders - and timelines - for the delivery of long-awaited projects such as the transmission line expansion projects mooted by the National Transmission Company South Africa (NTCSA), formerly known as the Eskom Transmission division. The construction of an estimated 14 000km of transmission lines - which will require at least 450 000 tons of steel over the next 8 to 10 years - will have a significant impact.

“However, the immediate challenge is the rather precarious state of the balance sheets of state-owned enterprises (SOEs). This may tempt some to bypass the South African manufacturing sector and buy cheaper imported steel. Nevertheless, we remain hopeful that there will be a balanced perspective related to the retention of local production capacity for strategic reasons, as well as for job creation,” he concedes.

This will have a very positive domino effect: “It will give us an opportunity to reinvest, modernise and become competitive. We will see positive outcomes not only in the local economy, but also across the continent - particularly Sub-Saharan Africa. It is a case of applying the right remedial action to kick-start steel sector recovery,” Clarke concludes.