SEIFSA concerned over scrap metal export ban extension

The Steel and Engineering Industries Federation of Southern Africa (SEIFSA) has expressed concern over proposals submitted to the Department of Trade, Industry and Competition (DTIC) to extend the scrap metal export ban beyond its scheduled end in December 2023.

“SEIFSA’s position has always been that the scrap metal export ban is misguided in the issue that it is attempting to solve for, namely infrastructure damage for scrap metal theft. It is an extremely blunt measure with unintended industrial policy consequences. More worryingly it communicates a very poor economic signal by not taking into account a total steel perspective,” said Elias Monage, SEIFSA president in a media statement.

SEIFSA has also noted a worrying shift in the discussions surrounding the ban, with the focus moving towards using it as an industrial policy tool to support scrap-based mills and the country’s decarbonisation efforts. This was not the original intention of the ban, which was primarily aimed at security-related issues and limiting infrastructure damage.

The imperative for SA's large imports players to nurture smaller sector participants

Bobby Madhav 16 Nov 2023

Monage emphasised that while other considerations may be noble or adverse, they are secondary to the core issue. He reiterated SEIFSA’s stance that the export ban is an inappropriate solution to a security-related problem and warned that introducing industrial policy in this covert manner would send a negative economic signal from the DTIC.

“If it is the intention of the DTIC to introduce a new industrial policy regime then the economic signalling should have been communicated as such and developed, with industry, taking the total steel sector perspective into account,” he said.

Misleading economic signals

Poor or misleading economic signals run the risk of the DTIC losing the trust of the investment community due to the instability created in the economic environment. This stability is paramount particularly to the long-term nature of the investments associated with this sector.

"The scrap metal export ban creates a disproportionate and policy induced – not producer efficiency – input cost advantage that is afforded to only a select group of producers where scrap metal is used as an input."

In the absence of a mechanism similar to a Price-Preference-System (PPS) on iron ore, which attempts to level the playing field, pockets of the value chain are rendered uncompetitive, relative to the beneficiaries of the scrap metal ban. There also does not exist any regulatory mechanism that ensures that this input cost advantage is passed down the value chain, which again renders the intervention extremely narrow in its perceived benefits.

The scrap metal export ban also presents World Trade Organisation (WTO) contraventions and anti-competitive behaviour from a predatory pricing point of view, all of which the DTIC has opened the country up to from the decision to impose the export ban.

Meaningful reduction in theft

Whilst the unsuccessful export ban has undoubtedly been abused by consumers and lead to prejudicial consequences, the critical question that still remains is whether the unsuccessful ban on ferrous scrap exports and suspension of the PPS has contributed in any meaningful way to the fulfilment of the objective of the directive – the elimination or reduction of metal theft and associated criminal activity.

The undeniable answer to this question is that it has not.

"Given all the negative consequences accompanying the scrap metal export ban and the fact that it is not working, SEIFSA strongly urges the Department of Trade, Industry and Competition does not extend the scrap metal export ban beyond December 2023," concluded Monage.