

Importance of scrap metal for industrialisation

The metals value chain is central to any industrialisation path and is a key driver of a country's competitiveness due to the enormous linkages to the manufacturing industry. The three largest consumers of metal products in South Africa are: the construction industry, the mining industry and the transport industry. In terms of value add, these sectors account for 15% of SA's GDP and employ over 3.5 million people (formal and informal).

Metals are reusable and maintain their useful properties once they have been processed and ultimately scrapped. Scrap metal, in particular is a key input material in primary and secondary metal production due to the relatively lower energy consumption and the inherently lower environmental degradation footprint than the use of virgin material. Scrap is a strategic resource and many nations have scrap metal policies and regulations in place to take full advantage of this resource by retaining it in the country and making it available to support the development of domestic metal producing industries.

Scrap metal shortages adversely affects the sustainability and viability of steel mini-mills, foundries and ultimately the competitiveness of downstream consumers placing the domestic market and investments under strain. Metal theft and illegal exports also pose security challenges and the destruction of public and private infrastructure. To address this, Government implemented the Price Preference System (PPS) on the exportation of scrap metal to secure the availability of good quality scrap for domestic industries. The DTIC and National Treasury are also considering the introduction of an export tax on scrap metal and have increased efforts to combat illicit trade.

Currently, the global demand for scrap is on the rise aggravated by the Covid-19 pandemic, subdued economic activity and low levels of scrap generation as a result of the shut-down of the economy due to Covid-19. Foundries are finding it difficult to procure scrap metal, a significant portion of which is sourced from steel off-cuts generated in production processes.

It is therefore important that as industry start to open, we restrict the exports of scrap to enable the ramping up of steel production which requires scrap metal as a key input.

Given the general scarcity of scrap under current circumstance, the UAE has banned the export of scrap which they mainly exported to India and Pakistan, it is therefore likely that importers will be looking at South Africa for alternative sources of scrap which may not be available elsewhere.