

ArcelorMittal to invest R4bn as cartel penalty

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ArcelorMittal SA has undertaken to invest R4.6bn on plants and equipment in the next five years as part of a settlement agreement it has reached with the Competition Commission.



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This is in addition to the record R1.5bn fine the steel maker, which supplies about 70% of the domestic market, has agreed to pay for its involvement in the long steel and scrap metals cartels.

However, the R4.6bn investment has come with a caveat - ArcelorMittal said it was subject to it being affordable and feasible in the light of financial circumstances.

Themba Sepotokele, corporate communication and branding manager, said the company planned to spend the money on expanding operations and improving efficiencies across its plants.

"To the extent that additional capacity is created, some further jobs may be created, but more importantly - to the extent that ArcelorMittal SA remains profitable and sustainable, jobs will be preserved," he said in an emailed response on Monday, 22 August.

The commission's announcement of the R1.5bn fine - the biggest fine to be imposed on a single company - ended

investigations against the steel maker that began in 2008.

ArcelorMittal said it had made a provision for the R1.5bn, which will be paid over five annual instalments, of no less than R300m as from 2017. For the first 18 months, the administrative penalty of R1.5bn would be interest fee, following which a 10.5% interest charge would be levied on the outstanding amount, ArcelorMittal SA said.

The competition watchdog launched the probe against ArcelorMittal SA and the entire industry following concerns about high and increasing steel prices, despite SA being a net exporter of the metal.

Other producers that were implicated during investigations into the steel cartel include Cisco (Cape Town Iron and Steel Works), Scaw Metals, Cape Gate and Highveld Steel and Vanadium.

Spokesman for the competition watchdog Itumeleng Lesofe said on Monday prosecutions were pending against the other companies that were involved in cartel conduct and had not settled with the commission.

As part of the settlement agreement with the commission, ArcelorMittal has also agreed to deal with complaints against its pricing conduct, without admitting that its pricing had contravened the Competition Act.

Price increases of flat steel products sold in SA will be limited to no more than 10% of earnings before interest and tax for the year.

The commission said that the margin cap of 10% was subject to variation up to a maximum of 15% if certain market circumstances arose.

The Competition Tribunal still has to approve the commission's recommendations and make it an order, following which ArcelorMittal would be expected to start making payment towards the R1.5bn fine.

Source: Business Day

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