

# Scrap metal 'unaffordable' in SA

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The scrap metals industry has a complex and often adversarial relationship with the foundries industry and many countries impose duties to prevent exports of scrap metals, while also heavily subsidising their metals industries, despite World Trade Organisation rules.



Foundries in South Africa are battling to contend with high prices for scrap metal because of export parity pricing and the incentive that scrap metal dealers have to sell products on the international market. Image: SA Metal Group

But SA has gone in the opposite direction since 1994, liberalising markets to the point that some people in the foundries business are now pleading for protection, though scrap metal dealers are baying for more open markets.

Bob Stone, Chairman of the Non-Ferrous Metal Industries Association of SA, says inputs for metals producers, especially scrap metals, are not affordable.

Apart from tariffs, anti-dumping duties and subsidies elsewhere, market inequities are driven by high foreign demand and a highly favourable exchange rate for scrap exporters, which charge local buyers export parity prices.

The Metal Recyclers Association of SA declined to comment as it is sensitive to accusations that it is involved in metals theft and that it is ignoring a government directive to offer product to local foundries and secondary smelters at a 20% discount to the international spot price.

The International Trade Administration Commission says it will soon issue new guidelines for the compulsory sale of ferrous and non-ferrous scrap metals to the domestic market to stem exports worth billions annually.

John Davies, Chief Executive of the South African Institute of Foundrymen, says the foundry industry remains under pressure.

"However, if we can get the localisation programme working well, it could provide impetus to the industry and make a real difference," he says.

Source: Business Day via I-Net Bridge

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