

International Steel Fabricators of South Africa

(Reg. No. 1999/12352/08)



31 May 2024

Dr Duncan Pieterse
Director-General: National Treasury,
40 WF Nkomo Street,
Pretoria
0132

By email: DGRegistry@treasury.gov.za

cc: Mr. Elias Monage (SEIFSA)

By email: elias@arabelaholdings.com

Dear Dr Pieterse,

RE: REMOVAL OF THE EXPORT TAX ON SCRAP METAL EXPORTS

Summary:

The International Steel Fabricators of South Africa (ISF) www.isf.co.za fully supports SEIFSA's request for the removal of the current Export Tax on Steel Scrap Exports. The Export Tax was motivated and introduced to replace the controversial Steel Scrap Price Preference System (PPS), but in the end the PPS was erroneously never removed by the dtic!

Motivation:

The International Steel Fabricators (ISF) www.isf.co.za is a 30+ year export promotion and development agency in the steel construction and pressure equipment manufacturing industries.

The ISF is also a registered Export Council with the dtic and obtain about half of its funding from the dtic's Sector Specific Assistance Scheme and has been operating in a Public-Private-Partnership with the dtic for the past 25 years.

Offices: 9 Ninth Avenue, Northmead, Benoni, Gauteng, 1501, Republic of South Africa
Postal Address: 9 Ninth Avenue, Northmead, Benoni, Gauteng, 1501, Republic of South Africa
Tel: (2711) 849-7388 Fax: (2786) 670-8033 e-mail: director@isf.co.za www.isf.co.za
(Non Profit Company)

Directors: L. Bartlett, J.C.de Beer C. Dednam, C.G. Gibbs, S. Moodley, S. Mutshutshu, R. P. Mohlala, C.J. D. van Niekerk, F. Wandji, B.O. Wilken.

Although the bulk of the ISF members operates in the Downstream Steel Industry, the ISF also has members from the Upstream, Intermediate and End Users industries.

The ISF members are thus from a major owners' group of valuable steel scrap assets - steel scrap is not waste but a valuable raw material. The ISF members' scrap assets are produced in the normal conversion process from primary to secondary steel products.

The ISF members are thus part of this owners' group that has been forced since 2013 by the dtic policy regulations, known as the Price Preference System (PPS), to unwilling and unfairly subsidise another sector in the steel industry, i.e. the scrap steel mini mills with an estimated R 5 billion+ p.a.

Since the introduction of the export scrap tax, the recycling industry still have not been relieved from not receiving the R5 billion+ p.a. cross-subsector subsidy but also now do not receive an additional about R 1,5 billion p.a. that is paid over to the fiscus due to the parallel export scrap tax.

The steel manufacturing sector, as part of the legal group owing the steel scrap, and itself typically being in dire straights for various reasons beyond its control, is thus losing the now additional amount paid to the fiscus as the scrap recycling industry has no choice to just pass on any such costs loaded onto them, whatever the reason, fairly or unfairly, correctly or incorrectly.

In view of the exceptional interests of the ISF in the proposed export tax removal, or any other considerations affecting scrap handling or scrap pricing, will we make ourselves available to participate in any relevant interactions with the National Treasury.



.....
Neels van Niekerk
Chief Executive Officer

cc: ISF Board