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ITAC REF: 20/2024

DATE: 15 APRIL 2025

TO: THE INTERNATIONAL TRADE ADMINISTRATION COMMISSION (ITAC)

ATTENTION: DIPHETOGO RATHETE; PFARELO PHASWANA;  
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Dear Sirs,

RE: SUBMISSION OF THE METAL RECYCLERS ASSOCIATION OF SOUTH AFRICA (MRA) TO DTIC NOTICE 3061 OF 2025 / GOVERNMENT GAZETTE 19 MARCH 2025, NO. 52347 – REVIEW OF THE TARIFF STRUCTURE AND INVESTIGATION ("Tariff Investigation") INTO POSSIBLE INTRODUCTION OF AN IMPORT SURVEILLANCE SYSTEM FOR STEEL PRODUCTS CLASSIFIABLE UNDER CHAPTERS 72, 73, 82, AND 83 OF THE CUSTOMS AND EXCISE ACT, AS PUBLISHED IN THE GOVERNMENT GAZETTE 19 MARCH 2025, NO. 52347 BY ITAC ("Proposals")

1. The MRA, a stakeholder in the South African scrap metal recycling industry for 83 years, currently with membership representing approximately 70% of the metal recycling industry by volume, **records its objections in the strongest terms** to all Proposals contained in the Tariff Investigation. These are in **direct conflict to the free market principles which the MRA advocates for on behalf of its members and which are critical to South Africa's industrial and economic success.**

2. The MRA questions the validity of further calls for related comments whilst ITAC/DTIC's publication of its findings in respect of the Preferential Pricing System ("**PPS**") review, as conducted last year, remains pending despite media reports that these findings have purportedly been finalised. In amplification of this issue, there has been no feedback or response to the submissions of the MRA of 25 November 2024 to the National Treasury in respect of Export Duties, nor to the substantial submissions that were made by the Trade and Industrial Policy Strategies (TIPS) to the DTIC in respect of current export duties and the PPS, as submitted in January 2025, to which submissions the MRA provided contributions.
3. The MRA acknowledges the existence of a wide number of challenges currently prevalent within the steel industry and drawing on its longstanding experience in the South African steel recycling industry, which is closely aligned to that of new steel production, we propose the immediate suspension and/or termination of PPS, as the most effective solution to a number of these issues.
4. Thereafter the MRA calls for a review of the current scrap metal export duty regime, to assess its value and cost to the recycling and manufacturing sectors respectively and indeed, also to the greater South African economy.
5. The above-mentioned are intricately linked with the Tariff Investigation, and will have a direct impact on the economic stability of all related industries, where the effects of which will be *inter alia*:
  - 5.1 prejudice of manufacturers, recyclers and industry stakeholders;
  - 5.2 the unnecessary duplication of submissions;
  - 5.3 failure to consider all pertinent submissions; and
  - 5.4 a high likelihood that positive change/progress will not be yielded by either process.
6. PPS and The Steel Master Plan are widely acknowledged as failed interventions, yet remain in place, and have debilitated the metal recycling industry and its suppliers for many years. Instead of learning from such administrative blunders, sweeping regulations and increased tariffs are now proposed for the rest of the steel industry. It therefore is the MRA's strong contention that the DTIC and ITAC must address the failings of PPS and the duplicity of the scrap metal export duty regime, before considering additional tariff policies for the steel industry.

7. The MRA is of the view that the problems within the steel industry, both globally and domestically, stem directly from production over-capacity and the MRA further submits that the domestic policy support afforded to the domestic steel producers since the 2013 introduction of PPS, has amplified this problem within the South African context and consequently we contend that the Proposals are not suitable for implementation due to the reasons below.

8. ***Lack of ITAC and DTIC Resources, abuse of current systems and non-compliance with regulatory processes:***

8.1 The MRA has, more than once and with good cause, raised issue with ITAC and DTIC's available resources and thereby its ability to perform its mandate to administrate the current regulatory environment of the steel/scrap metal industry. The increased regulatory processes proposed would further burden the already overwhelmed administrative bodies and, in that strained environment, allow for subterfuge by ill-willed persons in the industry.

8.2 The MRA witnessed firsthand the successful administration of the regulatory environment managed by ITAC and DTIC, prior to the 2013 introduction of PPS. However these efficiencies have evaporated with the increased administrative requirements of PPS, such as pricing and adjudicating of local offers for product that is the subject of export applications.

8.3 It is clear that ITAC lacks the capacity to efficiently maintain the current export control systems imposed upon it and consequently, it would be unable to cope under the further increased workload and additional responsibilities as proposed.

8.4 As a result of this, the effect on the industry would be the opposite of the stated intentions of the Proposal to reduce fraud and mismanagement.

9. ***Causative issues of industry problems are not being addressed, and lack of transparency:***

9.1 The problems plaguing both metal recycling and new steel production industries are fundamentally a global overcapacity coupled with a lack of demand, agitated by an over-regulated industry. None

of these are addressed by the Proposals and, as with most prior proposed amendments to the tariff or regulatory environment, seek to increase regulation on, and stifle operations of, the already saturated domestic market.

9.2 The DTIC and ITAC must address the need for, and facilitate, a greater demand in the industry. The Proposals will not, in MRA's view, boost domestic market demand for new steel, and the increased Tariffs are likely to have the opposite effect on the supply chain.

9.3 Not only are problem areas not addressed with these Proposals, but there is also a marked lack of transparency from ITAC and DTIC. As above, responses to the export duty submissions of the industry have not been forthcoming, nor on the PPS performance and the results of other measures implemented.

10. ***Unreasonable duplication of Tariff and policy amendments and contradictions with representations made to the industry stakeholders:***

10.1 All indications to the industry, including correspondence from ArcelorMittalSA (AMSA) after engagement with the government, have been that PPS and export duties would be addressed, issues identified and relief provided, however the Tariff Investigation indicates the opposite intention and actions being undertaken by DTIC and ITAC proposing, *inter alia*, more stringent regulations and increased Tariffs, notwithstanding the aforesaid representations subvert the expectations relayed to stakeholders.

10.2 Further thereto, aspects of engagements between government and AMSA that have become public knowledge again purport that there is an intention address PPS and export issues, however there is an evident lack of termination of PPS or even a review to make it less punitive as promised, and a complete lack of transparency to the industry at large from ITAC and DTIC on the details of these proposed changes, while ITAC and DTIC at the same time make contradictory commitments to certain companies in the industry.

11. ***Unfeasible Tariff Increases, in concurrence with existing duties and the PPS:***

11.1 The MRA submits that there are already substantial Tariffs and other duties and fees payable by generators and recyclers and costs are already at a near-unsustainable level.

- 11.2 The Tariff increase would unfeasibly compound the current cost of export duties and PPS discounts forced upon metal recyclers and their suppliers, a large proportion of which is the domestic manufacturing sector (NB R 463 million PA paid in export duties on scrap metal for which there is no domestic demand – per XAGTA Report of 10 December 2024).
12. ***Tariff increases to Bound Rates would devastate supply chain, dissuade international trade:***
- 12.1 Table A Tariff increases to Bound Rates would severely impact the entire supply chain, already suffering from overcapacity and lack of demand. Already financially strained South African manufacturers would be negatively affected and the increase would not yield a positive effect on the oversupply or lack of demand issues. In amplification, the increase would dissuade international demand. The volume of products for which the intention is to increase to Bound Rates is also of a concern, coupled with the potential of that trend continuing, notwithstanding WTO agreements.
- 12.2 Any Tariff increases (even if not to bound rates) will inflate the already onerous costs across the entire supply chain, resulting in a reduction in demand and inevitably downstream fabricators will suffer, therein negatively impacting upstream consumers, the fiscus and greater economy. The MRA emphasizes that, while acting as a backbone of South Africa's economy, the steel (and recycling) industry relies on a delicate balance, already under significant stress as a result of poor policy decisions during the past 10 to 15 years.
- 12.3 The Tariff increases must be tempered in context of the global economic field in which countries (such as the USA) are haphazardly changing tariffs with resultant supply chain and market price fluctuations, all of which compounds both global and the South African manufacturers' plight.
- 12.4 The unintended consequences of PPS are clear evidence that attempts to control pricing, be it through 'preferential' pricing or increased tariffs, do not necessarily result in the intended positive effect, as the DTIC and Minister Patel were warned of by the Institute of Scrap Recycling Industries Inc. as early as February 2013 prior to the then-to-be implemented Policy Directive. These warnings (together with other industry stakeholder warnings) were ignored and the DTIC persisted with the

implementation of the Policy Directive and the industry witnessed both the resultant failure of the Policy and the detriment to the industry, evidence of the inadvertent but inevitable consequences of attempts to control pricing and markets by government.

13. ***Import Control/Permits restrict an already struggling industry and allow arbitrary regulation:***

13.1 No clarity is given to the nature of restrictions to be imposed with permits or the grounds on which permits will be granted or refused. In addition, the restrictions, and the issuance of permits themselves, that could be imposed allow for ITAC and/or DTIC to arbitrarily control, and adversely impact, the steel industry as a whole and the import/export aspects of South Africa's economy. Additionally, no clarity is given in respect of grounds of, or ability to review, rejections and the consequences of such rejections. In a familiar fashion, manufacturers are given little information, notwithstanding that the permits would impact an alarming estimate of 61% of steel imports.

13.2 MRA and its members have already experienced firsthand the failures that occur as result of attempts to sweepingly regulate trade and the ability of persons to use the complexity of permits and take advantage of the lack of resources of the regulatory bodies to their advantage.

14. ***NRCS to add complexity levels and create opportunity for abuse of processes:***

14.1 While not objecting to requirements for products to meet minimum compulsory standards in interests of consumer protection, NRCS has in the past (and publicly) been identified as not being able to effectively regulate these standards and letters of authority. In high profile instances NRCS letters of authority, and the applications therefore, have been abused by certain manufacturers.

14.2 Adding layers of complexity and administration under the NRCS, inevitably requiring development of specifications for each different product standard, to an already over-regulated industry would exacerbate the financial, administrative and operational strains on manufacturers. Unless the NRCS can be operated effectively, which is evidently not the case, this should not be implemented.

15. ***Time for Tariff Investigation is entirely unrealistic and will result in ill-informed decisions:***

15.1 Noting feedback is expected by July 2025, and that it previously took 13 months to review Chapter 72 alone, there is no practical way that the Tariff Investigation could be properly completed and relying on submissions and an investigation from such a constrained time frame to make decisions will inevitably result in ill-informed decisions, without sufficient consideration to future and

incidental impacts to the supply chain. In amplification, the Tariff Investigation reviews 609 Tariff codes with an estimated import value of R 67 billion, adding an estimated R 1.76 billion burden to the businesses trying to import these products (per XAGTA in 2025).

15.2 Attempting to undertake the entire scope of the Tariff Investigation in a single, shortly-timed, sweep will be impractical and result in uninformed decisions and potentially collateral damage to the entire industry and that aspect of South Africa's industry as a whole.

16. **Conclusion:**

16.1 MRA emphasizes that using policy amendments, such as the Proposals, to introduce deep-impacting changes without a proper public participation and submission procedure as would occur with legislation implementation with a view to achieving an economic goal (which MRA submits would not be achieved with the current Proposals), will fail in its objectives, have devastating effect on the industry and give rise to a 'slippery slope' of bypassing proper processes.

16.2 The unaddressed concurrent application of the PPS and Export Duties which already prejudice recyclers, and the overall failure of the Steel Master Plan is evidence of poor foresight and misadministration, which has placed unfeasible burdens on the industry. The Proposals and the increases in tariffs in amplification of the aforesaid still compounding the already burdened industry, would be a devastating blow, and repeat the previously failed endeavors.

17. The MRA expressly reserves its right to supplement these submissions in due course, and awaits the feedback of the ITAC and DTIC.

Yours Faithfully,

**METAL RECYCLERS ASSOCIATION OF SOUTH AFRICA**

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*[Electronically Submitted, Without Signature]*