REPORT NO. 509

INCREASE IN THE RATE OF CUSTOMS DUTY ON STEEL WIRE ROD, STEEL REINFORCING BAR AND STRUCTURAL STEEL

The International Trade Administration Commission herewith presents its Report No. 509: **INCREASE IN THE RATE OF CUSTOMS DUTY ON STEEL WIRE ROD, STEEL REINFORCING BAR AND STRUCTURAL STEEL,** with recommendations.

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SIYABULELA TSENGIWE
CHIEF COMMISSIONER

PRETORIA
24/11/2015

REPUBLIC OF SOUTH AFRICA

INTERNATIONAL TRADE ADMINISTRATION COMMISSION OF SOUTH AFRICA

REPORT NO. 509

INCREASE IN THE RATE OF CUSTOMS DUTY ON STEEL WIRE ROD, STEEL REINFORCING BAR AND STRUCTURAL STEEL

Synopsis

ITAC received an application from the South African Iron and Steel Institute ("SAISI") representing ArcelorMittal South Africa Limited ("AMSA"), Cape Gate (Pty) Ltd and Scaw Metals Group for an increase in customs duty on steel wire rod and reinforcing bar classifiable under tariff subheadings 7213.91, 7227.90, 7214.20, 7228.30 and 7228.60, from free of duty to 10% *ad valorem*.

ITAC also received an application from Evraz Highveld Steel and Vanadium Limited ("EVRAZ") for an increase in the rate of customs duty on structural steel, classifiable under tariff subheadings 7216.31, 7216.32, 7216.33 and 7216.50, from free of duty to 10% *ad valorem*.

The Commission considered the applications in light of the information at its disposal. In particular, the Commission took the following factors into account:

- Imports have increased significantly over the last three years posing a threat to the domestic manufacturing industry;
- There is a significant global oversupply of steel production capacity;
- The top five steel consuming industries i.e. building and construction, structural steel, wire products and cables, automotive and mining contribute R600 billion to SACU GDP (approximately 15%) and employs 8 million people;

- The SACU steel industry cannot sustain operations at current prices;

- The rising level of imports and concomitant erosion of the market share and low capacity utilisation of the SACU manufacturers;

- The significant price disadvantages experienced by the domestic industry vis-à-vis foreign, especially East Asian manufacturers;

- The declining profitability of the domestic industry also as a result of a relatively high production cost structure;

- The diminishing domestic employment and investment opportunities;

- The primary steel industry is an important employer and the current situation poses a serious threat to job retention and creation;

- In the medium to long-term, competitiveness constraints in the primary steel industry must be addressed, including equipment upgrading and technology;

- The cyclical nature of the market for primary steel and hence the review of the duty structure recommended below; and

- The strategic nature of the steel industry to the country, given its backward and forward linkages.

The Commission found that alloy and non-alloy steel wire rod is used interchangeably in a vast range of applications except in rare cases such as in the electricity conveyance market. It was also found that the domestic industry has the technical capability to manufacture alloy steel wire should a demand arise.

The Commission found that the vast majority of products classifiable under tariff subheading 7228.30 are manufactured domestically. The Commission will consider applications by the industry for tariff relief for alloy tool steel bars not manufactured locally.

The Commission found that the imposition of duties the structural steel while EVRAZ has temporarily ceased its manufacturing operations would have an unnecessary cost-raising effect. As such, the implementation of the proposed customs duties will have to be deferred until the applicant resumes its operations.

The Commission concluded that the tariff support should enable the industry manufacturing steel wire rod, steel reinforcing bar, and structural steel to utilise its existing under-utilised production capacity, achieve economies of scale, resulting in security of volumes with a reduction in the marginal cost of production.

The Commission recommended that the rate of customs duty on steel wire rod, steel reinforcing bar and structural steel classifiable under tariff subheading 7213.91, 7227.90, 7214.20, 7228.30 7228.60, 7216.31, 7216.32, 7216.33 and 7216.50, be increased from free of duty to 10% *ad valorem,* subject to the conditions listed on paragraph 57 of this report.

THE APPLICATION AND TARIFF POSITION

1. ITAC received an application from the South African Iron and Steel Institute ("SAISI") representing ArcelorMittal South Africa Limited ("AMSA"), Cape Gate (Pty) Ltd and Scaw Metals Group for an increase in customs duty on steel wire rod and steel reinforcing bar classifiable under tariff subheadings 7213.91, 7227.90, 7214.20, 7228.30 and 7228.60, from free of duty to 10% *ad valorem.*

2. ITAC also received an application Evraz Highveld Steel and Vanadium (Pty) Ltd ("EVRAZ") for an increase in the rate of customs duty on structural steel, classifiable under tariff subheadings 7216.31, 7216.32, 7216.33 and 7216.50, from free of duty to 10% *ad valorem.*

3. As motivation for the application, the applicants stated among others, the following:

    - There is an oversupply of steel and steel products in the world;

    - As a result of the oversupply, steel products are being sold at low prices in export markets, including the SACU;

- The local producers (all primary steel manufacturers) have been at a significant price disadvantage compared to the imported product, thereby incurring significant injury due to low-priced imports;

- The imposition of tariff protection will assist in restoring the competitive position of the local manufacturers, ensuring that end-users have a reliable environmentally sustainable local source of wire rod and reinforcing bar supply. Also, it will curb job losses and restore economic and financial stability within the steel value chain; and

- The steel value chain cannot exist without a primary steel producer. It is essential for SACU to have the benefits of a fully integrated value chain. Without a primary steel producer the iron ore will be exported unbeneficiated and the downstream industry will be exposed to international price fluctuations and supply uncertainties.

4. The applications for steel wire rod, steel reinforcing bar and structural steel were published in the Government Gazette of 18 September 2015, for interested parties to comment, as follows:

   Increase in the general rate of customs duty on:

   "Steel wire rod classifiable under tariff subheadings 7213.91 and 7227.90, from free of duty to 10% *ad valorem*".

   "Steel reinforcing bar classifiable under tariff subheadings 7214.20, 7228.30 and 7228.60, from free of duty to 10% *ad valorem*".

   "Structural steel classifiable under tariff subheadings 7216.31, 7216.32, 7216.33 and 7216.50, from free of duty to 10 % *ad valorem*."

5. The existing tariff structure for the subject products is as follows:

Table 1: Current tariff structure for the subject products

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of duty			
				General	EU	EFTA	SADC
STEEL WIRE ROD							
72.13	**Bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel**						
	7213.9	- other					
	7213.91	- of circular cross-section measuring less than 14 mm in diameter	Kg	Free	Free	Free	Free
72.27	**Bars and rods, hot-rolled, in irregularly wound coils, of other alloy steel**						
	7227.90	- other	Kg	Free	Free	Free	Free
STEEL REINFORCING BAR							
72.14	**Other bars and rods of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling:**						
	7214.20	- Containing indentations, ribs, grooves or other deformations produced during the rolling process or twisted after rolling:	Kg	Free	Free	Free	Free
72.28	**Other bars and rods of other alloy steel; angles, shapes and sections, of other alloy steel; hollow drill bars and rods, of alloy or non-alloy steel:**						
	7228.30	- Other bars and rods, not further worked than hot-rolled, hot-drawn or extruded	Kg	Free	Free	Free	Free
	7228.60	- Other bars and rods	Kg	Free	Free	Free	Free
STRUCTURAL STEEL							
72.16	**Angles, shapes and sections of iron or non-alloy steel**						
	7216.3	U, I or H sections, not further worked than hot-rolled, hot-drawn or extruded, of a height of 80 mm or more:					
	7216.31	U sections	Kg	Free	Free	Free	Free
	7216.32	I sections	Kg	Free	Free	Free	Free
	7216.33	H sections	Kg	Free	Free	Free	Free
	7216.50	Other angles, shapes and sections, not further worked than hot-rolled, hot drawn or extruded.	Kg	Free	Free	Free	Free

6. The tariff structure as requested by the applicant is as follows:

Table 2: Requested tariff structure for the subject products

Tariff heading	Tariff subheading	Description	Statistical unit	Rate of duty			
				General	EU	EFTA	SADC
STEEL WIRE ROD							
72.13	**Bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel**						
	7213.9	- other					
	7213.91	- of circular cross-section measuring less than 14 mm in diameter	Kg	10%	Free	Free	Free
72.27	**Bars and rods, hot-rolled, in irregularly wound coils, of other alloy steel**						
	7227.90	- other	Kg	10%	Free	Free	Free

STEEL REINFORCING BAR							
72.14	**Other bars and rods of iron or non-alloy steel, not further worked than forged, hot-rolled, hot-drawn or hot-extruded, but including those twisted after rolling:**						
	7214.20	- Containing indentations, ribs, grooves or other deformations produced during the rolling process or twisted after rolling:	Kg	10%	Free	Free	Free
72.28	**Other bars and rods of other alloy steel; angles, shapes and sections, of other alloy steel; hollow drill bars and rods, of alloy or non-alloy steel:**						
	7228.30	- Other bars and rods, not further worked than hot-rolled, hot-drawn or extruded	Kg	10%	Free	Free	Free
	7228.60	- Other bars and rods	Kg	10%	Free	Free	Free
STRUCTURAL STEEL							
72.16	**Angles, shapes and sections of iron or non-alloy steel**						
	7216.3	U, I or H sections, not further worked than hot-rolled, hot-drawn or extruded, of a height of 80 mm or more:					
	7216.31	U sections	Kg	10%	Free	Free	Free
	7216.32	I sections	Kg	10%	Free	Free	Free
	7216.33	H sections	Kg	10%	Free	Free	Free
	7216.50	Other angles, shapes and sections, not further worked than hot-rolled, hot drawn or extruded.	Kg	10%	Free	Free	Free

7. The WTO bound rate for the tariff subheadings under investigation is 10% *ad valorem.*

INDUSTRY AND MARKET

Steel Wire Rod

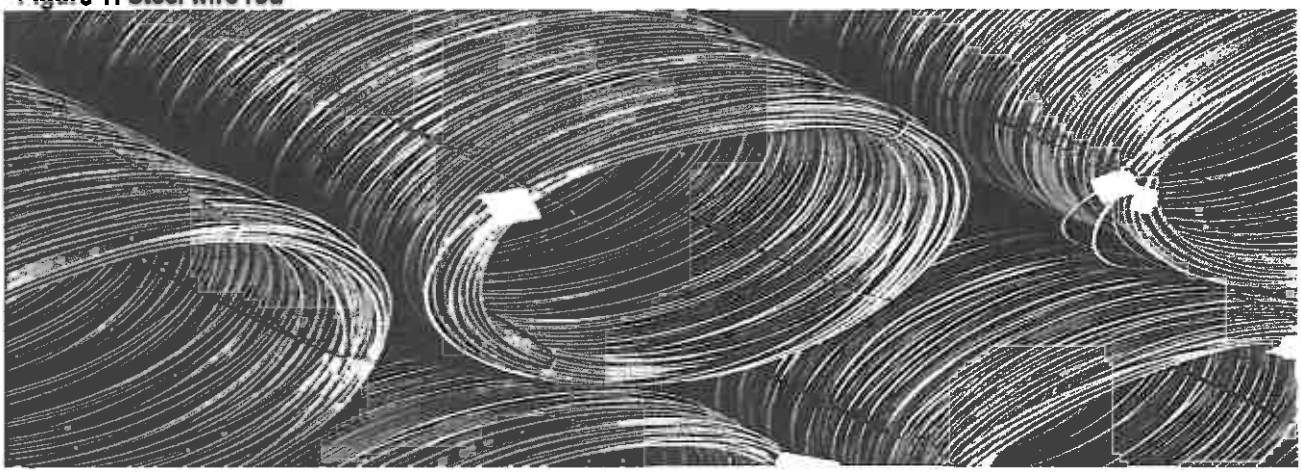
8. The local manufacturers produce products that are classifiable under tariff subheading 7213.91, namely "Bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel: other - of circular cross-section measuring less than 14 mm in diameter". However, the products classifiable under tariff subheadings 7227.90 are direct substitutes to the products manufactured by the local industry and they serve the same market, except in rare cases such as the electricity conveyance market.

9. The difference between the two products is that products classifiable under tariff subheading 7227.90 contain alloys such as chrome and/or boron. The local industry

does not currently manufacture products classifiable under tariff subheading 7227.90. However, AMSA has indicated that it does have the technical capabilities to manufacture products classifiable under tariff subheading 7227.90 should a demand arise.

10. Figure 1 below depicts the subject product:

Figure 1: Steel wire rod

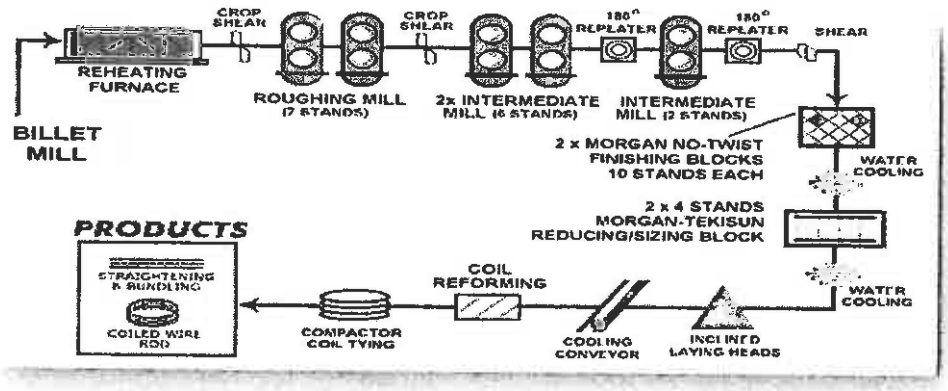


11. The equipment used to produce wire rod is much the same throughout the world and without significant differences in production technology. As shown in figure 2 below, generally, the manufacturing of the subject products begins with the process of steel making from virgin iron ore and recycled steel.

12. The manufacturing process for wire rod typically consists of the following stages:

- Melting and refining to set the steel's chemical and metallurgical properties;
- Casting the steel into a semi-finished shape (billet);
- Hot-rolling the billet into rod on a multi-stand, high-speed rolling mill; and
- Coiling and controlled cooling of the wire rod as it passes along a steamer deck, a specialized conveyor unique to the wire rod industry.

Figure 2: The process flow in the manufacturing of steel wire rod



13. In terms of domestic demand, wire rod is used for welded mesh in the construction industry (pre- or post-stressing wires and wire strands used for reinforcement of concrete), and has many other uses after having been drawn into wire, including in the tyre industry (tyre cord), in the nut and bolt industry (fasteners), fencing products, supermarket trolleys, steel cord, electrodes, cables, bed springs, suspension springs, welding wire, etc.

14. There are three known manufacturers of the subject product in the SACU region, namely AMSA, Gape Gate Pty (Ltd) and Scaw Metals Group. AMSA manufacturers the subject products in Kwazulu-Natal (Newcastle Works); Scaw Metals Group at its facilities in Gauteng (Germiston) and Cape Gate (Pty) Ltd at its production facilities in Gauteng (Vanderbijlpark).

15. AMSA is the biggest producer of the subject products manufacturing approximately 83% of the total SACU output.

16. The above three mills have a combined steel wire rod annual production capacity of approximately 1 600 000 tons and they produce approximately 600 000 tons per annum. They also process approximately 240 000 tons of wire rod into various wire products.

17. Traditionally, imports of the subject product originated mainly from Japan, and the European Union. However, post-2010 there has been a significant increase in

imports of the subject product originating in China. In 2014, all imports of steel wire rod originated in China.

18. The main importers of the subject products include:

- Macsteel Service Centres SA (Pty) Ltd;
- Barnes Reinforcing Industries (Pty) Ltd;
- Natstan Wire (Pty) Ltd;
- Aveng Trident Steel (Pty) Ltd;
- Hendok Distribution (Pty) Ltd; and
- Wire Supplies & Manufacturing Co (Pty) Ltd.

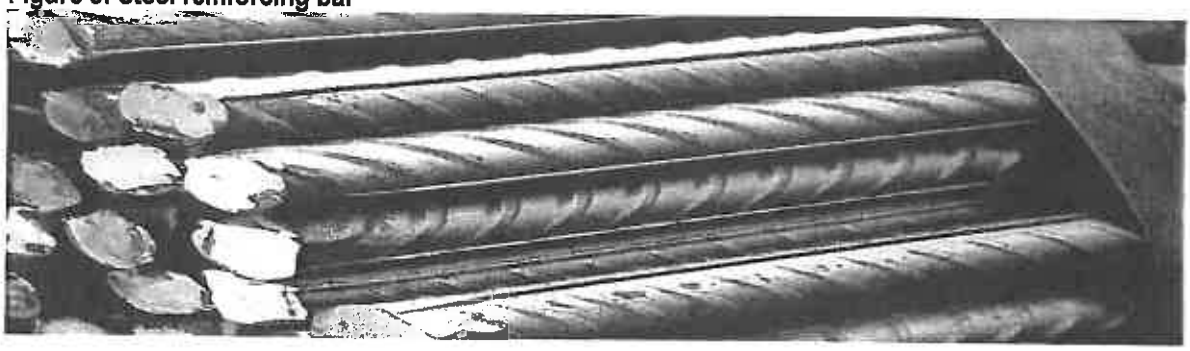
19. The SARS official statistics of the subject products indicate that imports have increased significantly over the last three years posing a threat to the domestic industry. Domestic capacity utilization has declined to unsustainable levels to as below 44%.

Steel Reinforcing Bar

20. The subject product is a hot-rolled deformed steel reinforcing bar whether or not in coil form, commonly known as rebar or debar, in various diameters up to and including 50 millimetres, containing indentations, ribs, grooves or other deformations produced during the rolling process or twisted after rolling.

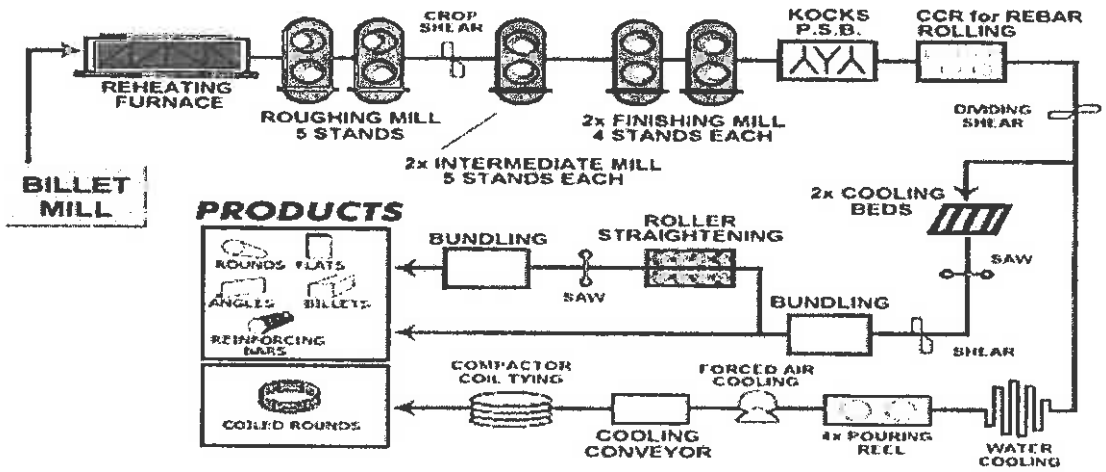
21. The figure 3 below depicts the subject product:

Figure 3: Steel reinforcing bar



22. As shown in figure 4 below, just like the steel wire rod, the steel reinforcing bar is manufactured from low or medium-low carbon steel using the same inputs and production technology. The manufacturing process is also similar except in the last stage which includes hot rolling the bar and deformation marking in the final rolling process.

Figure 4: The process flow in the manufacturing of the steel reinforcing bar



23. The subject product is mainly used in the construction industry, for reinforcing concrete structures. The rebar resists tension, compression, and temperature variation in reinforced concrete because the surface protrusions on a deformed bar inhibit longitudinal movement relative to the surrounding concrete.

24. Certain sizes and lengths tend to predominate in certain applications. Smaller sizes are used mainly in light applications such as residences, while heavy construction applications such as industrial structures and bridges use all sizes and lengths.

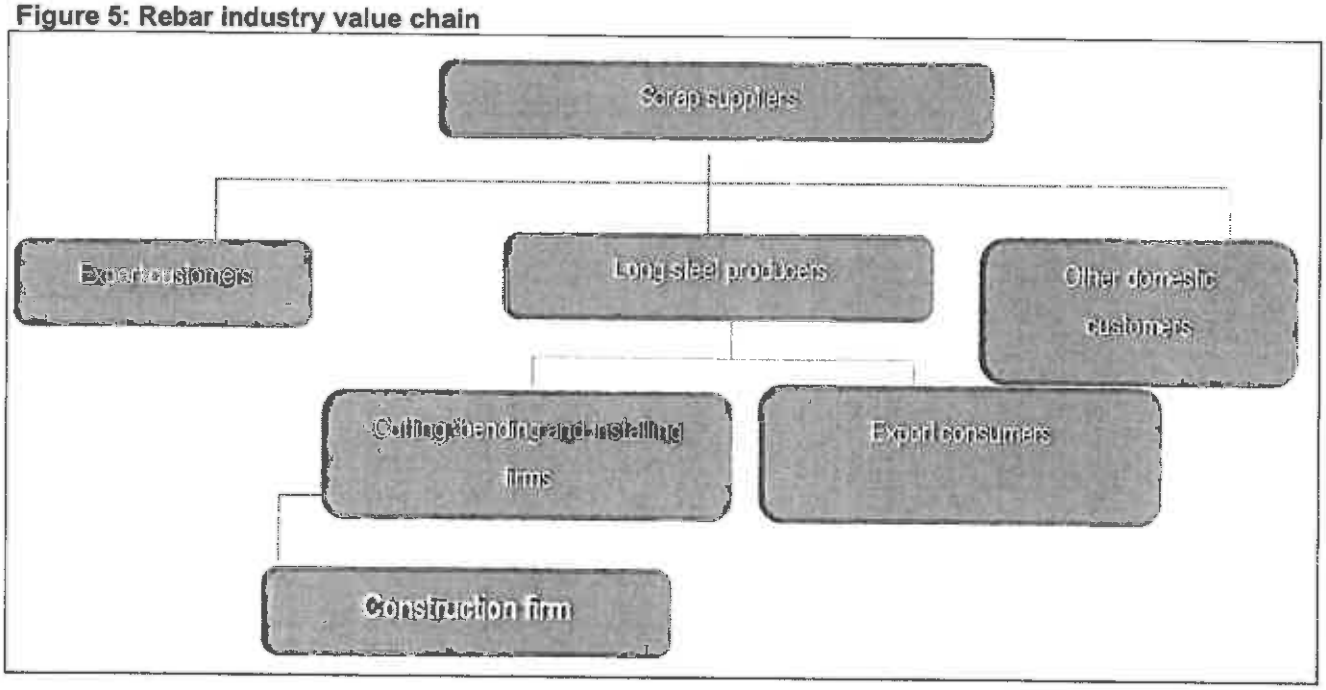
25. There are four local manufacturers of the subject product in the SACU region, namely AMSA, Scaw Metals Group, Cape Gate (Pty) Ltd and SA Metal Group. SA Metal Group entered the local manufacturing market after Cape Town Iron and Steel Works (Pty) Ltd ceased its operations in 2011.

26. The demand for the subject products is mainly driven by the construction industry. The growth in infrastructure investment is driven by both public and private sector demand. Consumers of the subject product in the domestic market are rebar yards

(responsible for cutting to length and bending into shapes); civil construction companies; private & domestic builders; and mining companies. A smaller market for rebar is for mine bolts, which hold support structures in mines.

27. Figure 5 below depicts the domestic steel reinforcing bar industry structure.

Figure 5: Rebar industry value chain



28. The identified main importers of the subject product include Macsteel Service Centres SA (Pty) Ltd, Mesh and Construction Supplies (Pty) Ltd, RSC International Trading (Pty) Ltd and Steel Invest (Pty) Ltd.

29. The imports of the subject products have increased over the years and the market shares of the domestic manufacturers have continued to decline. Import volumes increased considerably over the period 2012 to 2014. AMSA and Scaw Metals Group have a production capacity of approximately 600 000 tons.

30. Exports of the subject products have declined and the domestic capacity utilisation has eroded to levels below 40%. Employment has also declined significantly in the domestic rebar manufacturing industry.

Structural Steel

31. EVRAZ is a vertically integrated producer of primary steel and vanadium products. It owns an iron ore mine from where its raw material requirements are supplied and it manufactures a wide range of products such as hot rolled heavy structural sections, hot rolled plates, hot rolled coils, forging quality blooms, and billets.

32. The subject products are structural steel sections in the form of U, I, H, and other angles. They are hot-rolled, hot-drawn or extruded products, of a height of 80 mm or more and are primarily used in the engineering, fabrication and construction industries. As can be seen in the figures 6 – 8 below, the name of the steel section (i.e. U, I, H) follows the alphabet which it resembles.

Figure 6: U Section

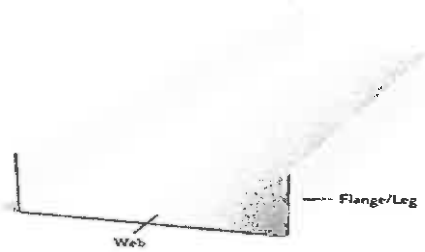


Figure 7: I Section

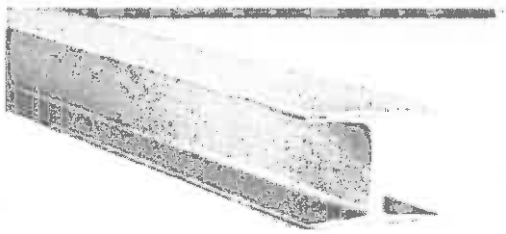
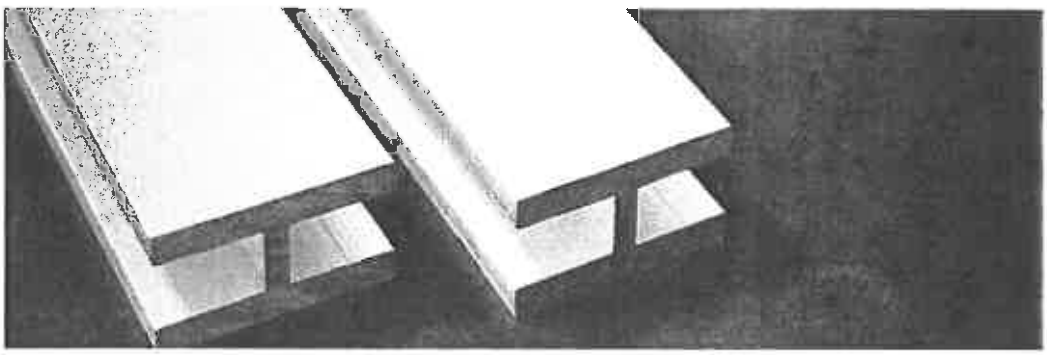


Figure 8: H Section



33. The subject products are manufactured from low to medium carbon or alloy steel. The main inputs used in the manufacturing of the subject products are billets and blooms, which are in turn made from virgin iron ore or steel scrap.

34. Generally, the manufacture of the structural steel begins with the process of iron making and then steel making. Molten iron is then transferred to the steel making plant. At this stage the process begins by extracting vanadium from the metal as a solid slag before the metal is taken and charged to one of three basic oxygen furnaces.

35. The steel is then transferred by car and crane to the continuous casting plant via the ladle refining stations, where temperature adjustment, desulphurisation and final composition adjustments are carried out. The continuous casting plant consists of four machines: one for billets, two larger machines for blooms, and one for slabs.

36. The billets and blooms then go into a hot-rolling process where it is fed into a multi-stand, high speed rolling mill and controlled cooling bed. The main roll stand forms the beam's flanges and web simultaneously, while the edger forms the flange tips. All sections are sawn to length using hot saws, cooled on two walking beam cooling banks and finally passed through a roll-straightener. After straightening, the sections are inspected and placed on automatic pilers prior to stacking by crane or mobile side loader.

37. The applicant is the dominant manufacturer of heavy structural steel in SACU. However, EVRAZ temporary ceased the manufacturing of the subject products during June 2015 and aims to resume production in the first quarter of year 2016.

38. The main importers of the subject products include:

- Macsteel Service Centres South Africa (Pty) Ltd;
- Robor (Pty) Ltd;
- Portland Steel International (Pty) Ltd; and
- Aveng Steel, an operating group of Aveng Africa (Pty) Ltd.

39. The SARS' official import statistics for the subject products indicate that aggregate import volumes for the four subject tariff lines increased from an estimated 44 600 tons in 2012 to an estimated 73 900 tons in 2013. Import volumes declined to an estimated 33 384 tons in 2014, responding to a precipitous decline in domestic

demand. However, the import volumes for the first half of 2015 (January to June) point to a surge in imports when compared to their 2014 levels.

40. The domestic capacity utilization has been at unsustainably low levels of approximately 50% throughout the period under investigation.

COMPETITIVE POSITION

41. The global market has a total capacity of approximately 1.16 billion tons of steel and China accounts for approximately 50%, making China the biggest producer. With the slump in Chinese growth, excess steelmaking capacity remains the biggest challenge for the primary steel sector worldwide in achieving sustainable profit margins.

42. Challenges facing the domestic industry at an operational level include high manufacturing costs and an influx of imports. The labour costs and shortage of technical skills pose additional challenges, amplified by high domestic energy costs.

43. According to the Industrial Development Corporation (IDC) report of 2012, the steel plants of the major domestic steel manufacturers, with the exception of Duferco and AMSA's Saldanha plant, were built in the 1940s, 50s and 60s. The industry has not kept abreast with the latest technology trends and has deferred equipment upgrades and delayed preventive maintenance programs. New capacity is required to meet the forecast for future growth in the region. As a result, it was concluded that a need exists for capital expenditure of approximately $2.1 billion to make AMSA competitive. The world cost curve has come down, while AMSA's cost of production has increased. New capacity is required to meet the forecasts for future growth in the region.

44. The local industry is not price-competitive against Chinese imports of the subject products and it is experiencing significant price disadvantages.

COMMENTS RECEIVED

Steel Wire Rod

45. Objections on the application for the increase in customs duty on steel wire rod were received from distributors and downstream manufacturers including the following companies: Barnes Fencing Industries (Pty) Ltd, Dunrose Trading 57 (Pty) Ltd t/a Abracon, International Wire Converters (Pty) Ltd, Ndlovo Wire Ropes (Pty) Ltd and Ndlovo Scraper Cables (Pty) Ltd, Hendok Distribution (Pty) Ltd ("Hendok"), Clear Creek t/a Wireforce ("Wireforce"), Meshrite (Pty) Ltd t/a Allens Meshco ("Meshco") and Aveng Trident Steel (Pty) Ltd.

46. The objections centred on factors such as out-dated production facilities and technology, the negative cost-raising impact of duties on downstream industries, the anti-competitive behaviour of the primary steel industry including import parity pricing, inability to meet the SACU demand due to limited product range, the natural protection of the steel industry, inappropriate trade instruments (i.e. ordinary customs duty protection rather than trade remedies), and perceived poor quality of the locally produced subject products.

47. The Commission found that alloy and non-alloy steel wire rod is used interchangeably in most applications except in rare cases such as in the electricity conveyance market. It was also found that the domestic industry has the technical capability to manufacture alloy steel wire should a demand arise.

Steel Reinforcing Bar

48. The application for an increase in customs duty on rebar was supported by the Botswana's Ministry of Trade and Industry and the Lesotho Ministry of Trade and Industry. The Lesotho Ministry of Trade and Industry emphasised that an increase in customs duty on the subject products should be linked to a condition that Lesotho's downstream steel consumers must have access to affordable steel in light of the concerns of import parity pricing.

49. Comments on the application were also received from Macsteel Service Centres SA (Pty) Ltd indicating that alloy tool steel bars that are cleared under tariff subheading 7228.30 are not manufactured by the domestic industry and as a result the company imports these products. It requested the Commission to consider an application for tariff relief on alloy tool steel bars.

50. The Commission found that the vast majority of products classifiable under tariff subheading 7228.30 are manufactured domestically. The Commission will consider applications by the industry for tariff relief for alloy tool steel bars not manufactured locally.

Structural Steel

51. Comments objecting to the application for an increase in customs duty on structural steel were received from the following companies: MacSteel Service Centres SA (Pty) Ltd, Aveng Steel an operating group of Aveng Africa (Pty) Ltd, Portland Steel International (Pty) Ltd and Robor (Pty) Ltd.

52. The objections centred on the following factors: there is no alternative for users of the products other than to import since the applicant is under business rescue and have ceased operations; and that there are certain products not manufactured by the applicant that will also be affected by the proposed duty increase.

53. The Commission found that the imposition of duties the structural steel while EVRAZ has temporarily ceased its manufacturing operations would have an unnecessary cost-raising effect. As such, the implementation of the proposed customs duties will have to be deferred until the applicant resumes its operations.

FINDINGS

54. The Commission considered the applications in light of the information at its disposal. In particular, the Commission took the following factors into account:

- Imports have increased significantly over the last three years posing a threat to the domestic manufacturing industry;
- There is a significant global oversupply of steel production capacity;
- The top five steel consuming industries i.e. building and construction, structural steel, wire products and cables, automotive and mining contribute R600 billion to SACU GDP (approximately 15%) and employs 8 million people;
- The SACU steel industry cannot sustain operations at current prices;
- The rising level of imports and concomitant erosion of the market share and low capacity utilisation of the SACU manufacturers;
- The significant price disadvantages experienced by the domestic industry vis-à-vis foreign, especially East Asian manufacturers;
- Diminishing domestic employment and investment opportunities;
- The primary steel industry is an important employer and the current situation poses a serious threat to job retention and creation;
- The applicants are in a position to manufacture the subject products for the vast majority of domestic downstream applications;
- In the medium to long-term, competitiveness constraints in the primary steel industry must be addressed, including equipment upgrading and technology;

- The cyclical nature of the market for primary steel and hence the review of the duty structure recommended below; and

- The strategic nature of the steel industry to the country, given its backward and forward linkages.

55. The Commission concluded that tariff support should enable the industry manufacturing steel wire rod, reinforcing bar and structural steel to utilise its existing under-utilised production capacity, achieve economies of scale, resulting in security of volumes with a reduction in the marginal cost of production.

RECOMMENDATION

56. In light of the foregoing, the Commission recommends that the rate of customs duty on steel wire rod, reinforcing bar and structural steel, classifiable under tariff subheadings 7213.91, 7227.90, 7214.20, 7228.30 7228.60, 7216.31, 7216.32, 7216.33 and 7216.50 be increased from free of duty to 10% *ad valorem*. However, the implementation of the proposed customs duty on structural steel, classifiable under tariff subheadings 7216.31, 7216.32, 7216.33 and 7216.50, should be deferred until such time the applicant resumes manufacturing the subject products in SACU. The Commission will convey its recommendation to the Minister on the implementation of duty on structural steel once EVRAZ resumes operations.

57. The increase in customs duty will be subject to the following conditions:

- The Commission will conduct a review of the duty structure to determine its impact on the industry value chain, three years from the date of implementation;

- The reciprocity commitments made by the applicants, particularly on pricing and investment, be monitored and adhered to. The dti and the EDD are engaging with the steel sector, including AMSA and the downstream industry, with a view to developing a sustainable win-win pricing model that ensures both the short and long term viability of the primary producers and the downstream industry.

The applicants are expected to cooperate with government on the development of the new pricing model;

- AMSA will invest an additional R367 million and R485 million in new plant, machinery, research and development, skills development and training and upgrading of machinery for the manufacturing of steel wire rod and steel reinforcing bar, respectively.

- EVRAZ will invest an additional R150 million in 2016 and a further R250 million in 2017 in new plant and machinery, research and development, skills development and training and upgrading of machinery for the manufacturing of structural steel.

- ITAC will establish a committee comprising the applicants, downstream users, the dti, EDD and other relevant experts to monitor the impact of the change in tariffs and steel prices on downstream users as well as the performance of the applicants against the commitments that they have made.

58. ITAC will initiate an immediate review of the tariff dispensation in case of a default by the steel industry on the above conditions.