Metal target
for sector summit

Nedlac is moving ahead to ensure the implementation of agreements struck during last years' Growth and Development Summit (GDS). A key aspect is a commitment by the Nedlac constituencies to effectively use sector strategies based on sector co-ordination and partnerships, to restructure the economy toward equitable, employment-creating growth. ***Nedlac*** *provides an overview of the initiatives towards organising a sector summit for metals and engineering.*

A major research study conducted last year in preparation for the discussions on the Metals and Engineering sector found that trade is a critical feature of the industry, but that, despite growing exports, the balance of trade has worsened across most sub-sectors, with some like machinery and equipment experiencing massive import penetration.

The study also found that exchange rate fluctuations have discouraged export growth and irregular domestic demand, particularly driven by public and parastatal procurement practices, has led to a decline in domestic manufacturing capacity. An issue raised continually by employers was that of input costs – the major issues being raw material inputs (in particular pricing by upstream producers), labour costs and transport (in particular rail transport).

Coming out of the study, four working groups were formed to take discussions further. These are: Skills Development; Trade Regime; Black Economic Empowerment; Proudly South African and Procurement and Investment. Import Parity pricing has also emerged as one of the biggest issues.

Import parity pricing

The agreement also contains a commitment to address the issue of import parity pricing. IPP is a price-setting practice adopted by firms, putting the selling price of their products at the same level as the import price of those products. This means that the price of the locally produced product (ie steel and scrap) is set at the international price plus import tariff duty, transport costs and an additional margin to take into account the advantage of buying locally in terms of delivery time and technical support.

Higher prices are also charged for inland buyers to cover the additional costs of transporting imported products from coast, even though the local product may be supplied nearby. In a presentation to Nedlac last year, Numsa argued that, within the Metals and Engineering industry, labour intensive sectors such as steel furniture, food processing, white goods, packaging, transport equipment, structural steel, pipe, tube and wire and wire products are affected by IPP. Through further beneficiation and fabrication these sectors have potential to create many jobs, but IPP is a major stumbling block.

A grouping of SA Steel producers was to give a presentation to Nedlac in mid-February on IPP, and government is also to give feedback on an internal meeting held on the issue in early February. It is expected that the summit will take place in the second half of this year. LB