

Arcelor puts plant in care as steel sector reels

SA's largest steel maker, ArcelorMittal SA, said yesterday that it was putting its Vereeniging long steelworks into "emergency care" until the end of next month, underlining the dire state of the industry.



The move follows Evraz Highveld Steel and Vanadium, SA's second-largest steel producer, going into business rescue in April.

Steel slump has major impact on employees

ArcelorMittal said it had already spoken to about 1,200 affected employees about the decision. The company, part of the global ArcelorMittal group, said that if it was "not sensible" for the plant to continue operations it would "follow a process of closing down parts of it or closing the entire operation down".

Cheap, state-subsidised imports from China have badly dented its business and ArcelorMittal SA has reported losses for the past five years.

ArcelorMittal SA CEO Paul O'Flaherty said it had been slowing down output at the Vereeniging facility for some time now, and staff were already working on "short-time". "This is survival time. We cannot allow the company to burn cash non-sustainably," O'Flaherty said.

SA's weak economy has been slowed down by regular power outages, and high labour and input costs amid a global commodities slump while the government's infrastructure programme has been slow to take off.

ArcelorMittal SA said the timing of any closures at Vereeniging, which would follow a section 189 notice process, would depend on the state's response to the sector's application for at least 10% tariffs on Chinese imports or harsher anti-dumping duties.

The Vereeniging plant makes products ranging from window frames and fencing posts to oil, gas and petrochemical pipelines and axles for locomotives. But it was only running at one-third of about 500,000 tonnes a year of steel production capacity.

Trade union Solidarity said yesterday that it "deplored the proposed closing" of the Vereeniging plant.

"According to management, the closing of the Vereeniging steel mill will affect approximately 1,200 employees, including contractors," said Marius Croucamp, head of the union's metal industry sector. The union was in talks with ArcelorMittal on alternatives to retrenchment.

Measures to improve and restructure

ArcelorMittal SA said it had taken measures to improve operating and financial performance. "The harsh reality is that the profitability of the operations remains under pressure," it said. This had resulted in the need to consider additional cost savings and optimisation initiatives.

The company was considering moving all billet production from its Vereeniging works to its more efficient Newcastle furnace in KwaZulu-Natal.

Evrast this week temporarily ceased production, blaming capital constraints, reduced demand and a "significant increase" in Chinese imports.

Evrast has issued a proposed restructuring notice on "a possible reduction" of about 50% of its 2,400 workforce. "The company will restructure to a curtailed operating mode, which will allow a start-up on a limited basis when market conditions improve and adequate funding (is) obtained."

But Evrast Highveld business rescue practitioner Piers Marsden of Matuson & Associates said the steel producer was unlikely to recommence operations until it had protection from the government against Chinese imports.

Mr Marsden said yesterday that the Russian-backed company had received a number of indicative offers from "mini consortiums", including empowerment partners linked with multinational groups. Prospective bidders are required to provide \$10m in guarantees by next Monday to proceed to the next stage of the bidding process.

Source: Business Day

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