

Competition Commission launches inquiry into local steel market

The Competition Commission earlier this month gazetted the draft terms of reference (ToRs) for a new market inquiry into the local steel industry. The inquiry will examine whether or not there are any features or a combination of features in its value chain that impede, distort, or restrict competition in the sector.



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In 2014, the South African steel industry was ranked 19th in terms of global crude steel production and was the largest producer on the African continent, producing more than half of the continent's steel output. In 2021, South Africa was ranked as the 32nd largest crude steel producer in the world, with an output of 5.0Mt. This indicates that South Africa's competitiveness in the production and supply of steel has been declining. The commission has in the past intervened in this industry through merger control and enforcement investigations.

The inquiry will be confined to only two levels of the steel value chain - the raw materials and inputs, and the upstream steel production level. In addition, the inquiry will focus on the impact of these levels of the value chain on the domestic downstream steel market. The themes of the inquiry will be categorised as follows:



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Dennis Phillips 23 Nov 2022



Inputs and raw materials level of the value chain

Specific focus will be on iron ore and coking coal. With respect to iron ore, the inquiry will seek to foster effective competition and eliminate barriers to entry and expansion. In terms of coking coal, the inquiry will focus on addressing supply constraints and the costs of procuring this input.

Upstream steel production

The inquiry's objective is to address the barriers to entry and expansion as well as promote competition for the benefit of the economy and consumers. At this level of the value chain, the inquiry will focus on the following:

1. Review of ownership patterns of steel mills in South Africa and the state of competition;
2. Measures to promote entry and expansion of steel producers, in particular firms owned by small and medium businesses and/or firms controlled or owned by historically disadvantaged persons;
3. Challenges faced by steel producers and factors surrounding the closure of some steel mills;
4. Price setting mechanisms (including pricing trends in South Africa vs international pricing – and South Africa's price cohesiveness; pricing to downstream players and the role that traders play in price setting;
5. Assessment of historical and current industrial policies in place to support steel producers; and
6. Impact of the upstream steel producers' behaviour on the downstream market - including availability of supply, pricing, and quality.

The ToRs can be accessed [here](#). Public comments are invited on the scope of the inquiry on or before Friday, 12 May 2023. Written submissions can be sent to ccsa@compcom.co.za for the attention of Mapato Ramokgopa and Tlabo Mabye.

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