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Megasteel mill will cut need for imports

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SEVERAL players in the steel sector said the domestic market's high steel import figures were due to the unavailability of a number of locally manufactured products.

However, they added that import figures will decline once Megasteel comes onstream with its flat steel products facility by next year.

Capitalised at RM2.5 billion, Megasteel will produce 2.5 million tonnes of hot rolled and cold rolled flat steel when its RM2.2 billion steel mill is operational.

Amsteel, listed on the Kuala Lumpur Stock Exchange's main board, holds a 49.9 per cent stake in Megasteel while Lion Corp holds the majority 50.1 per cent interest.

"The 70 per cent import figure quoted is an overall figure which includes not only structural steel but also other types such as coils, flats and sections.

"Even the Perwaja sections has its own limitations. The majority of imports are from the flat sections," chief executive officer of Perwaja Steel Sdn Bhd Datuk Abu Talib Mohamed said.

He spoke to Business Times after a panel discussion at the Malaysian Structural Steel Association (MSSA) convention in Kuala Lumpur.

He said that Malaysia does not fabricate flat steel for hot rolls. Basically, what Perwaja produces are long steel products as well as sections.

Perwaja now produces direct reduce iron (DRI), billets, H-Sections, wire-rods, S45C steel (used to produce accessories and spare parts for the automotive industry), SWRY 11 and SWRCH (used for the manufacture of electrodes and fasteners).

Prime Minister Datuk Seri Dr Mahathir Mohamad in his keynote address at the opening of MSSA on Monday said that in 1997 300,000 tonnes of steel sections were used in the country and called on domestic industries to use local steel.

Meanwhile, executive director of Geahin Engineering Bhd Mr Stephen Tam said that in order for the steel industry to grow, there is a need for availability.

"It takes a long time for the industry to grow. The 70 per cent of steel requirements is imported because it actually encompasses a whole variety - the different types of grades, length and for different purposes.

"If the local industry is able to pick up 30 per cent of the market, it is still considered very good," Tam, who is also a council member of MSSA, said.

He added that in order for steel producers to make their products the choice for steel users, it should be of the best quality, readily available, cheap and good.

When asked if the high importation of steel is due to the dumping by countries such as Russia, Thailand and Japan, Abu Talib said that the "dumped prices" are of a different platform altogether.

"In Russia's case, they need the foreign exchange to buy food. Therefore, the prices that they sell their steel is ridiculous. We cannot relate the dumping cost as competitive because it is not. To me, it is a ridiculous price," Abu Talib said.

US steel makers and their congressional allies have called on the Clinton administration and Congress to punish Japanese, Russian and other

foreign producers accused of flooding the US market with cheap steel.

Meanwhile, during the panel discussion, Tam urged the Government to review the need for punitive taxes on import of steel.

"Now that we have economic problems, we have looked overseas for work. We are going on a level playing field with other players in the international market. Therefore, punitive taxes would be bad for producers because we will not be able to be competitive when selling our products.

"The taxes were slapped when the economy was good, and the Government needed to protect the domestic industry. However, due to the recession, we have to export and because of the taxes, cost of fabrication is increased, which would in turn cause Malaysian producers to be less competitive.

"To be fair, there was never a need for taxes. In itself, using locally produced steel would be more beneficial to all but we had to import because we did not have the resources here," Tam told Business Times.

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