

Midlands State University



**FACULTY OF ARTS  
DEPARTMENT OF HISTORY**

**THE RISE AND FALL OF THE MINING INDUSTRY IN ZIMBABWE  
WITH PARTICULAR REFERENCE TO ZISCOSTEEL**

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**R125354R**

**A DISSERTATION SUBMITTED IN PARTIAL FULFILMENT OF THE  
REQUIREMENTS OF THE BACHELOR OF ARTS IN HISTORY HONOURS DEGREE**

**ZVISHAVANE, ZIMBABWE**

**MAY 2016**

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**DECLARATION**

I, Morris Mutero, do here by declare that this research represents my own work in conception and execution and all sources I have used have been indicated and acknowledged by means of direct and indirect references. I solemnly declare that this work has not been submitted for any degree or examination in any other university.

Student's name

MORRIS MUTERO

Signature

.....

Date

...../...../.....

## **DEDICATION**

I dedicate this work to my family, my mother and father and my little sisters Nyashadzaishe and Sharon. Your unreserved support deserves reward. Above all I dedicate this research to the Almighty God for instilling the spirit of hard work in me and for the gift of life.

## **ACKNOWLEDGEMENTS**

I wish to acknowledge the assistance receive from the following people who made it possible for this dissertation to be complete: My supervisor, Mr. Tarugarira, who tirelessly guided me in conducting and compiling this dissertation, my family mother, father and my little sisters Sharon and Nyashadzaishe who gave me support and encouragement. Special acknowledgement also goes to my friends Praise, Samuel and Evans for the support they gave me that made this work a success.

## **ABSTRACT**

*This study focuses on the rise and fall of the mining industry in Zimbabwe focusing on ZISCOSTEEL. The study was carried out in Redcliff the home town of ZISCO. This research was mainly based on primary sources which includes books, news papers, archived company files and most importantly oral interviews. It was found out that the iron and steel industry dates back to pre-colonial times where indigenous people mined and processed iron to make tools like axes, hoes and weapons. Large scale commercial iron and steel industry commenced in colonial times with the establishment of Rhodesia Iron and Steel Company (RISCO) in 1942 up until the company was confiscated by the Zimbabwean government. It was renamed Zimbabwean Iron and Steel Company in 1980. The study focuses on various expansion projects that were carried out in ZISCO and the role the company has played in the country's economy and society. The research found out that the company started having production problems in the early 2000s and eventually stopped operations in 2008. The study highlights that several attempts were made to try and resuscitate the gigantic steel works like pre-financing, looking for private investors but all these failed. The research discovered that the collapse of ZISCO manifested rapacious socio—economic impacts on Zimbabwe.*

## **LIST OF ACRONYMS**

RISCOM-Rhodesia Iron and Steel Commission

RISCO-Rhodesia Iron and Steel Company

ZISCO-Zimbabwe Iron and Steel Company

BIMCO-Buchwa Iron Mining Company

ZDC-Zisco Distribution Centre

NRZ-National Railways of Zimbabwe

ZESA-Zimbabwe Electricity Supply Authority

ZAIM-Zisco Agricultural Implement Manufacturing

ZIMCHEM-Zimbabwe Chemicals

NECI- National Economic Conduct Inspectorate

## **DEFINATION OF TERMS**

1. Sinter Plant-a plant used in reclaiming fines of raw materials.
2. Blast furnace-a large structure which looks like an oven in which iron ore is mixed with limestone and smelted to produce metal.
3. Scrap metal-metal that has not met the required quality attributes.

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# **CHAPTER 1**

## **INTROUCTORY CHAPTER**

### **1.0 INTRODUCTION**

Zimbabwe is exceptionally endowed with various minerals which include iron ore, gold, diamonds, coal, and copper amongst various minerals which are mined and sold in both domestic and foreign markets<sup>1</sup>. This promotes a healthy base for the mining industry which plays a very important role in the Zimbabwean economy by providing the country with foreign currency from the export of raw minerals, the industry also provides employment for the majority of Zimbabweans, infrastructural development and development of towns like Shurugwi, Redcliff, Zvishavane. Due to the collapse of the agriculture sector, the mining industry became the backbone of the country's economy but however, research has shown that the significance of the mining sector has been on the downfall over time. This gradual decline has been linked to corruption, poor government policies that is failing to attract potential investors, the political instability in the country, indigenization and empowerment policy which is chasing away foreign investors, economic melt down and the rapid inflation in 2008. These challenges have impacted negatively on the already struggling Zimbabwean economy and this has led to stagnant economic growth, closure of big companies like ZIMASCO, ZISCO and the downsizing of major mining companies which has resulted in retrenching of workers, and investors shying away to other countries. This proposed research is going to focus on iron ore mining and steel production in Zimbabwe which is located in Redcliff under the Zimbabwe Iron and Steel Company [ZISCOSTEEL]. The research will focus on the rise and fall of iron ore mining and steel production and its impact in Redcliff town and the whole of Zimbabwe.

## **1.1 BACKGROUND OF THE STUDY AREA**

Zimbabwe Iron and Steel Company (ZISCO) is the largest steel works in Zimbabwe and is one of the largest in Africa. The company is located in Redcliff, a small town just a few kilometers outside of Kwekwe along the Harare-Bulawayo road. This gigantic steel works was established in 1942 under the Rhodesian government to take over all iron and steel production in the country [nationalism] based on the iron and limestone deposits at Redcliff<sup>2</sup>. It was by then known as RISCOS meaning Rhodesian Iron and Steel Commission<sup>3</sup>. The company was fully owned by the Rhodesian government and in 1957 a consortium of local and overseas interest formed the Rhodesian Iron and Steel Company [RISCO] which took over RISCOS with the government remaining at 10.7% <sup>4</sup>. At independence in 1980, the company changed hands into the Zimbabwean government which took full ownership of the company up until it invited bidders for a 64% stake of the ZISCO group of companies. The government sold 54% of the company to Essar Holdings Ltd and was left with 36%, another 10% was owned by a consortium of private investor's when the company collapsed in 2008<sup>5</sup>. In 2011 up until now the company became known as New ZimSteel. At its peak the plant had the capacity of employing up to 6000 workers at its peak. Almost three quarters of its employees stay in the adjacent Redcliff town with its locations Torwood and Rutendo.

ZISCO also owns and control a number of subsidiary companies across the country and outside which includes Buchwa Iron Mining Company (BIMCO). This company operates an iron mining company at Redcliff Works. It mines iron ore for ZISCOSTEEL at Ripple Creek mine about 27

km from Redcliff. A conveyer belt from Ripple Creek mine to Redcliff transports the iron ore. BIMCO also mines limestone for ZISCOSTEEL.

ZISCO also controls Lancashire Steel which operates a wire and rod manufacturing plant in Kwekwe. The steel works also controls Ramotswa iron and Steel Company which is situated in Botswana and processes steel billets into various steel sections. Monarch Steel is also controlled by ZISCO and it is situated in Zambia and it manufactures building materials like doorframes, geysers, wire mesh, wheelbarrows and window frames.

ZISCO has various distribution centers which includes Kabwe Steel located in Zambia, ZDC Harare, ZDC Kwekwe, ZDC Bulawayo, ZDC South Africa and Concord Steel in South Africa. These distribution centers distribute ZISCOSTEEL products. The steel works at Redcliff also owned Saklwire Manufacturers, Frontier Steel, Lancashire Steel Namibia, Lancashire Steel Botswana and Lancashire Steel Bulawayo through Lancashire steel.

## **1.2 Statement of the problem**

ZISCOSTEEL was built with the capacity of producing 1 000 000 metric tones of liquid steel per annum. The company has been producing an average of 300 000 metric tones of steel per year from the period 1998 to 2000. Production started to decline from 2001 when the company was only producing 100 000 metric tones, thus failing to meet its break even point. In 2008 production stopped and the big steel giant was reduced to depending on selling scrap metals and selling coke breeze to generate income. In 2011 a partnership deal was reached between the

government and the Indian based Essar group of companies. The government sold 54% of the company to Essar and the government retained 36%, the other 10 was left for private investors. This provided new hope for the revival of the gigantic iron and steel mining company, however five years have passed by and the company is still yet to resume operation. With this given background, this research is going to evaluate the rise and fall of ZISCOsteel, looking at the significance of the company and the cause of its decline. The researcher is also going to evaluate the impact of the collapse of this steel giant.

### **1.3 RESEARCH QUESTIONS**

- What significant role has been played by ZISCOSTEEL in Zimbabwe?
- What factors necessitated the rise and survival of ZISCOTEEL from pre-colonial times to the post colonial era?
- How did the establishment of ZISCOsteel impacted upon Redcliff town and the rest of Zimbabwe as a whole?
- What factors led to the collapse and downfall of ZISCOsteel?
- What are the outcomes of the collapse of ZISCOsteel?
- Is there anything that can be done to revive the company and solve the problems encountered due to the collapse of the steel works?

## **1.4 Justification of study**

The mining industry has been a prominent player in Zimbabwe through its contribution to direct foreign exchange earnings, employment creation, gross domestic product, urban development, infrastructural development and support of local industries with raw materials. But the turn of the 21<sup>st</sup> century saw a rapid decline in the mining industry. Production declined and the once thriving industry was now faced with various counter production problems and some mining companies even closed shop and relocated to other countries. This was also the case with ZISCO which started having production problems in the early 2000 up until it finally collapse in 2008 due to the failure of blast furnace number four. This decline seriously affected the mining town and spelled doom to the Zimbabwean economy and society.

It is therefore in the researcher's interest to evaluate the drastic transition that took place in the mining industry of Zimbabwe. The researcher seeks to bring out the significant factors which led the rise and survival of the mining industry (in this case the rise and survival of ZISCOSTEEL Company). The research is also going to look at the significant role that was played by ZISCOSTEEL in Redcliff and the Zimbabwean economy and society. An investigation on the factors that led to the collapse of the iron and steel industry is also going to be carried out in this research to give an in-depth understanding on the rapid collapse of the mining industry.

ZISCO used to be the economic hub of Redcliff providing employment for up to 6000 people, providing raw materials for downstream industries. The company also had many social responsibilities on the mining town which included development of schools, hospitals, pubs,

sporting facilities and pubs. Hence when the company collapsed in 2008, all facets of life in the mining town were affected. Therefore this research is going to bring into light the devastating results of the collapse of ZISCOSTEEL.

## **1.5 RESEARCH OBJECTIVES**

The study specifically aimed to achieve the following;

- To describe factors that necessitated the rise of a vibrant iron mining industry in Zimbabwe and its relocation to Redcliff.
- To evaluate the socio-economic impact of ZISCOSTEEL in Redcliff as its home town and Zimbabwe as a whole.
- To analyze factors that ignited the collapse of ZISCOSTEEL and its final closure in 2008.
- To ascertain the impacts of the collapse of the gigantic steel works on the socio-economic livelihood of Redcliff town and Zimbabwe in general.

## 1.6 LITERATURE REVIEW

This research is greatly influenced by the works of Kaliyati who give a well detailed historical development of the iron and steel industry in the colonial times. According to Kaliyati, iron mining and steel production at a commercial scale started in 1938 in Bulawayo when a group of private investors imported an electric arc furnace with the capacity of producing 12 000 tones of liquid steel.<sup>6</sup> The colonial government soon took control of the iron and steel industry through Rhodesian Iron and Steel Commission (RISCOM) which then was established near the huge iron and limestone deposits. Kaliyati further describes that in 1957, RISCOM was sold to private owners due to some operation and financial problems and was renamed RISCO meaning Rhodesian Iron and Steel Company up until the 1980s when the Zimbabwean government took full control and ownership of the company and renamed it ZISCOSTEEL.

J. Mungoshi in his work Resuscitation of Zimbabwe Iron and Steel Production industry also gives the same historical background of the rise of the iron and steel industry in Zimbabwe.<sup>7</sup> These scholars have been very influential in this research since they provide information on the rise of ZISCOSTEEL which is the most important part of this research. However, these scholars failed to realize and include the significant impact of the rise of the iron and steel industry both on Rhodesia and Zimbabwe's socio-economic livelihood. These scholars failed to realize and highlight that the iron and steel industry became the economic pillar for both Rhodesia and Zimbabwe, providing foreign currency through exports, employment and raw materials for

downstream industries. Hence the researcher found it his duty to bring to the surfaces these issues in this research.

The decline of the mining industry has been accounted for by R Chifamba who observed that the industry has been declining in importance prior to the turn of the 21<sup>st</sup> century. This is true to a large extent as the turn of the 21<sup>st</sup> century saw a dramatic decline in exports of mineral produce and the mining activities in the country declined rapidly. Mining companies either closed down or downsized, mining investors relocated to other countries. R Chifamba blames this transition on depressed mineral prices, foreign exchange shortages, and a hostile domestic political climate which impacted negatively on mining investments.<sup>8</sup> However, Chifamba was just speculating on the whole mining industry without clear specifications. This prompted the researcher to have a clear case study of the iron and steel industry at ZISCOSTEEL in Redcliff for a clear understanding of the factors which necessitated the collapse of such a vibrant industry.

Having highlighted the collapse of ZISCOSTEEL there is also the need to account for the devastating impacts of the downfall of ZISCO which all the scholars mentioned above failed to address. R Chifamba highlighted some of the major causes of the collapse of the mining industry but left out the impact of the collapse<sup>9</sup>. When ZISCOsteel collapsed, the whole country was affected because over the years, the company had become a major foreign currency earner for the country and employed up to 6000 people. Hence when the company collapsed, the country's economy was seriously affected and ordinary people's livelihood was also affected. This has helped in shaping the objectives of this research.

## **1.7 METHODOLOGY**

This research is largely based on secondary and primary sources of information hence the researcher will deal with archival of information from company files and the national archives. The researcher will also conduct interviews on the workers and all stakeholders involved in ZISCOsteel operations, questioners will also be used. Data sampling and observation will also be used in carrying out this research.

## **1.8 CHAPTER BREAKDOWN**

This chapter presented the introduction, background of study, statement of the problem, justification of study, aims and objectives, research questions. This chapter also contains literature review, methodology and chapter breakdown.

### **CHAPTER ONE**

This chapter comprises of the rise of the iron and steel mining industry in Zimbabwe. It gives a historical background of the iron mining industry in pre-colonial Zimbabwe and its importance to these societies. The establishment of RISCO and its development to one of the best integrated steel works in Africa through various financial investments and expansion projects will be looked at in this chapter.

### **CHAPTER TWO**

This chapter comprises the birth of ZISCO. It discusses the formation of ZISCOSTEEL soon after independence by the Zimbabwean government and the continued growth of the company. This chapter also contains the important role that was played by ZISCO from the colonial times to the present.

### CHAPTER THREE

This chapter comprises of the factors which led to the collapse of ZISCOSTEEL.

### CHAPTER FOUR

This chapter contains the impacts of the downfall of ZISCO. These impacts are divided into social and economic.

## ENDNOTES

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# **CHAPTER 1**

## **THE HISTORICAL BACKGROUND OF THE RISE OF THE IRON AND STEEL INDUSTRY**

### **2.0 INTRODUCTION**

This chapter is going to look at the rise of the mining industry in Zimbabwe. It starts with a brief historical background of iron and steel mining in pre-colonial Zimbabwe which was carried out by local inhabitants. The chapter will also include the significance of the early iron and steel manufacturing industry in pre-colonial Zimbabwean societies. The rise of a large scale commercial iron and steel manufacturing industry in Rhodesia through Rhodesian Iron and Steel Commission will also be discussed in this chapter.

### **2.1 PRE-COLONIAL IRON MINING IN ZIMBABWE**

Metal ore mining have been part of the African heritage for up to 2000 years now and it has had far reaching social, economic, political and technical effects on human life in pre-colonial Zimbabwe.<sup>1</sup> Metals, especially iron became a cornerstone in the day to day life of the local inhabitants of Zimbabwe in the turn of the Iron Age. Iron was used in agriculture through the use of iron hoes to till the land and iron axes for clearing vast forests. Iron weapons were also used in war fare like iron spears, battle axes.<sup>2</sup> Euginia W Herlert points out that metals and especially iron were used as a very important symbol of power in pre-colonial Zimbabwe. Metal objects like spears, axes and double gongs made out of welded iron were used as symbols of royalty which was borrowed from the north.<sup>3</sup>

Shona inhabitants of the plateau also used iron objects as symbols of chiefly authority that are recognizably from those found at Great Zimbabwe such as iron spears, knives and the battle axe, *gano*. With all this in mind, it is now clear that a thriving iron mining industry existed in pre-colonial Zimbabwe and proves that iron or metal objects were central to the social, economic and the political lives of local inhabitants.

Three main methods were used in mining iron and other metals in pre-colonial Zimbabwe. These methods included scavenging, open mining and underground mining. Scavenging was more or less similar to the gathering of food and fruits, this method was usually done mainly in Buchwa south east Zimbabwe where pebbles of magnetite and hematite, respectively with iron oxide contents excess of 90% occurred in quantity at the surface<sup>4</sup>. Open mining method involved creating a narrow but deep trench in the earth surface to extract mineral ores. This was the most common method of mining used by local indigenous people<sup>5</sup>, and was especially suited for rocks which were dip and very steeply or vertical<sup>6</sup>. Underground mining involved digging of tunnels to get minerals that were buried under the earth surface.

However, the pre-colonial methods of mining had major challenges facing them. There was poor ventilation in mines, the transportation of ore to the surface from greater depths was difficulty and most of the mines were very unstable<sup>6</sup>. More complex operations required more time, effort and skill. Thus it required more support from other members of the community. In pre-colonial Zimbabwe, mining was predominately a dry season activity<sup>7</sup> as this coincided with both a fall in

the water table and the time between harvesting and planting. All these factors militated against the growth of pre-colonial iron mining industry in Zimbabwe since it was a seasonal activity and the methods used were not so efficient in extracting the mineral ores due to factors listed above.

European colonization of the African interior became an ultimate constraint on indigenous iron mining industry and the whole mining industry practiced by local inhabitants. European imported goods rapidly undermined the value of traditionally produced goods<sup>8</sup>. European colonizers took all the mining and mineral rights and took charge of the economy thereby suffocating local indigenous mining industry. The occupation of Zimbabwe by the British South African company led by Cecil John Rhodes [BSAC], led to the collapse of pre-colonial traditional iron mining industry which was replaced by a colonial mode of production based on capitalism and racism.

## **2.2 The rise of iron and steel manufacturing industry**

As stated above, pre-colonial traditional mining was quickly replaced by colonial modes of production which saw the iron and steel mining and manufacturing industry rise in prominence and become one of the biggest and best in Southern Africa and the rest of the world. The signing of the Rudd concession by Lobengula gave the BSAC and Rhodes all the mineral rights in the plateau. The concession was later used by Rhodes to obtain charter from the British queen, which he used to colonize Zimbabwe. In 1890 the Pioneer column which was organized by Rhodes marched into Mashonaland and later occupied Matebeleland. Using the concession, the BSAC claimed ownership to all minerals in the country and this led to growth of a settler mining

economy. Mining in Rhodesia started on a small scale. Individuals owned small claims of minerals but lacked the resources to fully develop the industry.

It took about fifty years from colonialism for the iron mining industry to commence at a large commercial scale. Iron and steel production on a large commercial scale only commenced in 1938, fifty years after the occupation of the country in Bulawayo. It started when an electric arc furnace with the capacity of producing 12 000 tones was brought by a few individuals in Bulawayo. This particular furnace used steel scrap to produce steel castings and rolled section<sup>9</sup>. This was a stepping stone for the rise of the iron mining and steel industry in Rhodesia. Huge development programs and investments followed which saw the rise of the iron and steel industry with the Rhodesian government playing a crucial role as to be described bellow.

In 1942, the Rhodesian government established a statutory body the Rhodesian Iron and Steel Commission [RISCOM] to take over the Bulawayo works and all iron and steel production in the country and to develop the huge iron and limestone deposits at Redcliff<sup>10</sup>. The Rhodesian government therefore nationalized the iron mining industry making RISCOM responsible for all iron and steel production in the country. Iron and steel making facilities were thus constructed at Redcliff. The iron and steel industry was now concentrated in Redcliff under RISCOM and it was the government's obligation to develop the company in order for it to meet all the demands and responsibilities it was faced with. Iron and steel production at Redcliff started with the production of pig iron in 1945 when the first blast furnace was commissioned. The plant at Redcliff by this time consisted of number 1 blast furnace, a rod mill capable of producing 10

inch and 21 inch rods and one 25 tone open hearth furnace<sup>11</sup>. The Rhodesian government and stakeholders engaged in a series of expansion programs which saw the company emerging as the biggest and best integrated steel works in Rhodesia and the rest of Southern Africa in forty years.

In the first seven years of operation, RISCOP experienced a lot of financial and operational problems. These problems resulted mainly from lack of experienced personnel to run the company and low levels of production which led to high unit costs. As a result, in order to solve these problems blast furnace number 2 was installed in 1954 with the hope of reducing costs and improving the financial position of the company<sup>12</sup>. The company also recruited more experienced personnel to run the company from abroad. However, despite the increase in plant capacity and recruitment of experienced workers, RISCOP continued making losses and being trapped in a financial crisis. Faced by these problems the Rhodesian government seriously considered the possibility of denationalizing the company. Records show that by 1954 alone, a sum of up to 1, 7 million sterling pounds had been written off as unrecoverable<sup>13</sup>.

By 1956 two blast furnaces had been established at Redcliff works with the capacity of producing 91, 440 tones of pig iron per year and production of up to 64 000 tones of steel ingots per annum<sup>14</sup>. In the same year that is 1956, the financial situation of the company turned around and the company for the first time started to make profits. This drastic change of the company situation resulted mainly from the Confederation of Rhodesia and Nyasaland now know as Malawi<sup>15</sup>. Confederation of Rhodesia and Nyasaland provided RISCOP with a viable market for its products. The company also benefited from the abundance of cheap African laborers who

came from Nyasaland as indentured labors to work for minimum wages. RISCO was able to minimize its production cost by employing these Africans. This proved successful since the company started to make profits.

In 1957, the Rhodesian government denationalized the iron and steel industry. RISCO was sold to a consortium of local and overseas interest that formed the Rhodesian Iron and Steel Company [RISCO]. RISCO took over all the iron and steel production in the country from RISCO. The Rhodesian government was left with 10.7 % shares of the new company. Other significant share holders were Messina Transvaal which owned 24.2 % shares of the company, Anglo American Corporation with 22.6%, Stewarts and Lloyds with 14.5% shares, Lancashire Steel [UK] owning 14.55% shares of the company<sup>16</sup>.

RISCO was established with the main goal of reaching a million tones per annum steel making capacity. In order to meet this objective, the company embarked on a 10 million pounds sterling development program which involved the building of number 3 blast furnace, two open hearth furnaces, a 24-batch coking oven and improvement of the already existing mills<sup>17</sup>. In this development program, RISCO hired Kawasaki Steel Corporation of Japan to install the number 3 blast furnace in 1961 and agreed to pay them 360 000 tones of pig iron and 600 000 tones of iron which were to be shipped to Japan per year starting from 1963 until a total of 50 million tones had been shipped to Japan<sup>18</sup>. RISCO also invested in the installation of a second-hand sheet and plate mill which was imported from Scotland in 1961.

By 1965 RISCO was employing close to 2 900 people of whom 2 104 were Africans working as minimum wage laborers<sup>19</sup>. This was a cost minimization method which was widely used by colonial settlers to maximize profits. In this same year, the second hand steel and plant mill was scrapped on due to poor quality outputs and a stiff competition from ISCOF which was using more advanced technology than RISCO<sup>20</sup>. By this time, RISCO was producing a variety of products which included window sections, fencing standards and droppers, light rods, light and heavy flats and angles, ploughshares and rounds<sup>21</sup>. Pig iron production was about 1 000 tones per day with 700 tones [70%] being exported to Britain, Japan, Egypt, Italy and the philippines<sup>22</sup>.

In 1965, RISCO was planning on a third expansion program which was estimated to cost up to 14 million pounds sterling. This program involved the installation of blast furnace number four, coke ovens, a sinter plant and an electric infrastructure, a teeming crane capable of lifting 16 up to 160 tones and a 500 tone hot metal mixer. The company was also planning on diesel locomotives with 5-380 horse powers which were ordered to replace existing steam engines. This expansion program was expected to be completed in 1972 but it was halted when the Rhodesian government declared independent from Britain<sup>23</sup>.

On 11 November 1965 Ian Smith and the Rhodesian government declared themselves an independent state, this move invited strict economic sanctions from Britain and other western super powers. RISCO was part of the companies which were bared from international trade and the world markets; it was now isolated from the world trade because it was not allowed to trade with any European country. These sanctions affected RISCO, it lost its foreign markets and was

forced to shelve blast furnace 1 and 2 and close one open hearth furnace. Steel output declined by 50% and pig iron output declined by 30%. The company was on the verge of collapsing due to these economic sanctions. Accordingly reducing production was necessary for maintaining the company financial stability<sup>24</sup>.

However, the economic sanctions imposed on the Rhodesian government proved to be more of a blessing than a curse to the rise and expansion of RISCO and the iron and steel industry. The Rhodesian government turned to South Africa and other neighboring countries for trade exchange like Mozambique and through carefully planned policies. The Rhodesian economy radically improved and expanded. In that same year, RISCO undertook other major investments which included the construction of a coke crushing plant that allowed for greater control of the quality of coke fed into the blast furnace which costed about R50 000. The company also constructed an underground pipe to carry oxygen which was used in the blast furnace from Sable Chemicals located 17 kilometers away from Redcliff in Kwekwe in 1969<sup>25</sup>.

The iron and steel manufacturing industry continued to grow through RISCO. In 1972 a third expansion program was drawn up and this was aimed at boosting the company's steel making capacity from 410 000 tones to just over one million per year<sup>26</sup>. This expansion plan was drawn up in Paris the capital city of France on 12 August 1972 in defiance of the United Nation mandatory sanctions against Rhodesia. Twelve international organizations were present at the meeting and this included financial institutions and representatives from countries like Germany, South Africa, Switzerland, Austria and Rhodesia. The main aim of the meeting was to plan on

finding means and ways of funding and implementing a R 63, 5 million expansion program at Redcliff. This was going to be the biggest and last expansion program of the company under RISCO.

As a form of payment for the project, RISCO agreed to export steel to the countries concerned. To the Rhodesian government and the company, this was a silver lining in the clouds since it was going to boost the foreign currency earning capacity of RISCO because most of the products were going to be sold abroad. In the agreement, a political clause which stipulated that in the event of revelation of the plan the Ian Smith government would pay for any implementation of the project<sup>27</sup>. In 1974 Mr. Kenneth Mc Intosh exposed the plan, resulting in the government paying for the partial implementation of the plan<sup>28</sup>. By paying for the project, the government shareholding increased from 10.7 % to 49.73 % becoming the major shareholder in the company

As the major shareholder of company shares, the iron and steel industry became fully influenced by the government. The industry continued to develop and rise with many developments projects that were introduced. These projects included the installation of the fourth hot air stove and modification of two others, widening of blast furnace number three from 15,5 millimeters to 15,18 millimeters which necessitated for greater insertion of raw materials into the furnace. In 1975 a Production Control Centre was constructed and costed R 75 000. In the same year 1975, a second hand metal mixer was installed at an estimated cost of R400 000<sup>29</sup>. The company also constructed a second benzol refining plant and three new soaking plants, a 20 tone overhead crane was also installed for the bullet mill to cope with increased production. In 1976 a bloom

transfer ban was constructed at the heavy mill, in 1977 a cogging mill was built and a hydraulically operated roll change rig, designed and manufactured by RISCO itself was installed and this led to a reduction in roll change time from 8 hours to 1,5 hours, a new coke plant was installed in 1979<sup>30</sup>.

It needs to be highlighted that this rise of the iron and steel industry was made possible by the availability of essential iron ore, limestone and coal resources in huge deposits that are required in the manufacturing of steel. All the raw materials were found locally in Rhodesia<sup>31</sup>. Iron ore was found in very huge amounts and mined at Buchwa by a subsidiary company of RISCO. The ore was then transported to Redcliff plant via a conveyor belt that stretched from Redcliff works to Buchwa which was about 17 km away.

The company was located adjacent to the country's biggest limestone deposits. Limestone reserves were just a few hundred meters away from the plant and were mined using an open cast system. As for coal or coke, it came from Wankie in Hwange by train. RISCO was located on a strategic point where the railway from Wankie passed just a few meters away from the company. These crucial raw materials were easily accessible to the company which led to the development of a thriving iron and steel industry based in Redcliff.

## 2.3 Products and Markets

The core produce of RISCO was steel and this steel was cut into different shapes and sizes. Each different shape and size had its own name which included steel bars, rods, mills, blooms, billets mills, plates and sheets. The company also produced ingots, slabs, reinforcing rounds, squares, window sections, grader blade materials, fencing materials and rails. RISCO also produced pig iron which was found in basic and foundry grades. These products were sold on both foreign and domestic markets. RISCO also produced by products which were used by other downstream companies like motor spirit, tar, naphthalene and concentrated ammonia. All these products were obtained during the steel making process<sup>32</sup>.

In the early days of the development of iron and steel manufacturing, the industry had a thriving domestic market. In other words it had an inward looking policy in which most of their products were sold in domestic markets. This policy however, did not last for long as stated above. The financial problems faced by the company [RISCO] led to expanding of the plant which did not match increase in demand. The company turned to export trade of excess products in order to cope with increased production that did not match limited domestic markets. This move was initiated during the Unilateral Declaration of Independence when the Smith government was in need of foreign currency due to the total sanctions imposed upon them by the United Nations and the western powers. The country was in serious need of foreign currency to support the war effort and save the country's economy from collapsing. RISCO also turned to foreign trade due to the agreements signed during its expansion meeting in France. Thus huge tones of steel and pig iron of more than 60% of the company products was shipped and exported to countries like

Japan, France and Switzerland. Due to trade restriction imposed on Rhodesia, the RISCO turned to regional markets like Mozambique, South Africa for trade. RISCO became the country's top foreign currency earner during this period. The iron and steel has continued to earn foreign currency for the country until the industry collapsed in 2008<sup>33</sup>.

However, the company became known as ZISCO meaning Zimbabwe Iron and Steel Company in the 1980s soon after the country attained independence. The Zimbabwean government took full ownership of the company and became fully responsible for the iron and steel production in the country up until it invited bidders for a 64% stake of the ZISCO group of companies. The government sold 54% of the company to Essar Holdings Ltd and was left with 36%, another 10% was owned by a consortium of private investor's when the company collapsed in 2008.

## **2.3 CONCLUSION**

In a nutshell, the rise of the iron and steel manufacturing industry in Zimbabwe was necessitated by a group of few individuals bought an electric arc furnace in Bulawayo and established an iron and steel company in Bulawayo. The iron and steel manufacturing industry was later taken over by the Rhodesian governments which then established the Redcliff works and fully develop the industry through a number of expansion programs up until it sold the company to private companies due to financial problems in 1957. The industry continued to grow under new ownership at the Redcliff works up until 1980 when it was taken over by the Zimbabwean government and renamed Zimbabwe Iron and Steel Company [ZISCO] as discussed in this chapter.

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## **CHAPTER 3**

### **THE BIRTH OF ZISCO**

#### **3.1 INTRODUCTION**

This chapter is going to look at the formation of ZISCO which took place soon after Zimbabwe attained independence. The Zimbabwean government took full ownership and control of the iron and steel plant and all its subsidiaries and then renamed the company ZISCO meaning Zimbabwean Iron and Steel Company from RISCO. This chapter will also include some of the development projects undertaken by the company to modernize the iron and steel industry and will end up by acknowledging the importance of the steel plant in Redcliff and Zimbabwe in general.

#### **3.2 ZISCO FROM INDEPENDENCE**

Soon after Zimbabwe attained independence, the Zimbabwean government quickly took over control and the ownership of parastatals that were previously owned by the Rhodesian government. The Zimbabwean government became the major shareholder and took the responsibility and running of parastatals companies like the National Railways of Zimbabwe, Grain Marketing Board and etc. In the same period, a smart Partnership Commercial arrangement was put in place between the Zimbabwean government and RISCO, where the profits at RISCO were not the key objective but the Zimbabwean government wanted to make sure that downstream industries accessed and benefited from affordable RISCO products<sup>1</sup>.

It was in 1983 that the Zimbabwean government took full control and ownership of the iron and steel industry. The government confiscated all the shares that were previously owned by the Rhodesian government. It was the role that the iron and steel industry had the potential to play in the economy of a newly born country that led the Zimbabwean government into taking the ownership of the company. The company name was then changed from RISCO which stood for Rhodesia Iron and Steel Company to ZISCO meaning the Zimbabwe Iron and Steel Company in 1983.

When the Zimbabwean government took the ownership of the company, ZISCO was already a fully developed integrated iron and steel works which was the biggest and best in Africa, with an installed capacity of producing up to one million tones of liquid steel per year. The company continued to grow with the growth of regional and international markets. ZISCO became the backbone of the Zimbabwean economy. The company also became one of the largest foreign currency earners for the country<sup>2</sup>. When the government seized the ownership of the company, they diverted all their attention to care and maintenance of this gigantic steel works. Hence, they were very little capital investments being injected into the company during the post independence period as compared to the period 1954-1957<sup>3</sup>. Despite this, the company continued to grow with the growth of local regional and international markets and through a series of expansion projects that were undertaken by the company.

The company continued with its expansion projects, as in March 1980 the company extended its Training centre. In April the same year, a drilling program and exploitation started at Ripple

Creek which is located just 16 kilometers from the Redcliff works for future supply of iron ore to the works. In 1981, a new conveyor to the slag dump was also constructed by the company<sup>4</sup>.

The Zimbabwean government and ZISCO spent up to 346 million US dollars during the period 1992-1999 in expanding and refurbishing the iron and steel works<sup>5</sup>. This program commenced in 1992 with the commissioning of batteries 1 and 2 of the coke ovens which were rebuilt by OSC design. These coke ovens were re-commissioned to a maximum capacity of 270 000 tones of coke per annum. This increased the supply of coke to the blast furnace therefore, increasing liquid steel production. This project costed up to 75 million US dollars<sup>6</sup>.

In 1994, a new Sinter Plant was built by Lurgi Austria. This plant was to be used for reclaiming the fines of raw materials. The fines of iron ore, lime stone, coke together with mill scale from the mills are blended and charged onto a sinter strand. The charge is set a light under an ignited-hood and the coke burns away and the fines fuse into “clinker” lumps suitable for use in the blast furnace. This was necessary because if the fines were just fed as they were into the blast furnace they would have choked it by obstructing the blast. Hence this was a very important project on the production of steel in ZISCO. The sinter plant is divided into “cold” and “hot”, the cold plant was commissioned in 1994 and the hot plant in 1997. Together the new sinter plant had the capacity of processing up to 2 million tones of raw materials per year, thereby improving the production of steel in ZISCO<sup>7</sup>.

ZISCO continued with its expansion and maintenance program by also investing in the rebuilding number 4 blast furnaces by Shougang International of China. This project costed 55

million American dollars. Blast furnace number four was the only remaining furnace working after furnace number 3 was decommissioned before independence. Hence the whole company relied on it for the production of liquid steel. That is the reason why the company invested so much in the up keeps of blast furnace number 4. This furnace was re-commissioned in 1999 with the capacity of producing more than 700 000 tones of liquid steel per annum<sup>8</sup>.

The company also invested in a Basic Oxygen furnace which was a 60 tones LD vessel 1 and 2. This basic oxygen furnace was built by Shougang International of China and Forrestaal/SMS, Germany. This furnace was commissioned in 1996 and 1999 with combined producing capacity of 1million tones per year<sup>9</sup>. A 60 tones Ladle furnace was also built by Ferrostaal/SMS with the capacity of producing 712 000 tones per year. A six strand Continuous Caster was opened in the year 2 000 by President Robert Mugabe. This whole project coasted 63 million dollars<sup>10</sup>.

All the above projects were completed with the aim of increasing the steel making capacity of the company. In a bid to add value and gain international product quality and ensuring greater market acceptance and profitability, the company planned yet another Capital Development program named Phase Two. This capital development program included the modernization of the bar rod mill which was expected to cost up to 57.84 million dollars, building of a new medium section mill with an estimated cost of 48 million. The project also included the rebuilding of battery 4 of the coke oven. This was a vital area which needed refurbishing as it had a pivotal role in increasing steel production beyond 30 000 tones a month. This project was estimated to cost up to 30 million<sup>11</sup>.

It was also planned by the company to purchase new Internal Shunting locomotives. This was crucial for the in-works bulk conveyance of steel products that could not be ferried by conveyor belts effectively. ZISCO was also looking for the supply of 63 new coal Gondola wagons due to re-occurring accidents and derailments on the National Railways of Zimbabwe lines. Hence it was necessary to rebuild the company's coal fleet once more to avoid any inconveniences in the steel making and it was estimated to cost 9.25 million<sup>12</sup>.

The steel works energy centre also needed refurbishment including the purchases of a stand by generator to minimize slowed production due to power failure or unnecessary power cuts. There was also the need to reline blast furnace number three which had been decommissioned since 1999 with an estimated cost of 10.5 million<sup>13</sup>. However, these proposed developments have remained on the drawing board since their conception, because the turning of the 21<sup>st</sup> century witnessed a difficult era on the steel company. Steel production at ZISCO declined rapidly to about less than 300 000 tones of liquid steel per annum. Compared to the previous years where the company produced over 700 000 to 1 million tones of liquid steel. The company was faced with many limitations which include the political unrest in the country and lack of funding which is going to be fully discussed in the following chapter. Production declined to the extent that ZISCO was failing to break even.

Faced with these production problems, the company came up with strategies to curb these problems and make sure that the company was well funded and resumes steel production. These

strategies included the pre-financing of steel production by export clients and other business arrangements with NOCZIM. In order to facilitate NOCZIM's procurement of fuel which required foreign currency that was easily accessible to ZISCO through foreign trade. The company was also to rely on Credit support by Hwange Colliery, National Railways of [NRZ] Zimbabwe and Zimbabwe Electricity Supply Authority [ZESA]<sup>14</sup>.

However, these strategies were more of a curse than a solution to the production of steel at ZISCO. The above mentioned raw material and services providers ended up charging rates that made ZISCO's products uncompetitive, as pricing structure that does not take account of import purity which could have resulted in a huge influx of cheap steel imports into the country and loss of vital ZISCO domestic markets. The type of markets of which once lost they could never be regained again. These strategies hence failed to revitalize the steel industry back to its 1 million liquid steel making capacities. Production continued to decline, the company also turned to financial institutions like the Germany bank for backup loans but all this failed<sup>15</sup>.

Despite these production problems, in 2004 ZISCO expanded its development projects by establishing ZISCOSTEEL Agricultural Implements Manufacturing Company [ZAIM] which manufactured agriculture implements like ploughs, scorch carts, plough disks etc. This company added value to the company's products<sup>16</sup>.

In 2006, the Zimbabwean government signed a Memorandum of Understanding with the Global Steel Holding of India in a bid to solve the problems at ZISCO through the Reserve Bank of Zimbabwe<sup>17</sup>. In this agreement, GSHL assumed control of management of the company for a period of 20 years. GSHL also invested 400 million dollars to rehabilitate ZISCO's proposed Phase Two development plan which included the refurbishment of blast furnaces, coke oven batteries, internal Shunting locomotives, coal liner Gondola wagons, and rolling mills. They also planned to build a new energy centre and to assist ZESA, NRZ and Hwange Colliery to acquire the expected performances capacity to satisfy ZISCO's production raw materials and service requirements. The deal was about to provide a life line to the troubled steel company and restore ZISCO's steel production to the golden days. GSHL suddenly pulled out of the business due to unclear circumstances. However, some reports claim that GSHL pulled out of the deal following reports by NECI [National Economic Conduct Inspectorate] of the systematic looting and corruption that was so rampant at ZISCO, where top government officials were implicated<sup>18</sup>.

The situation at ZISCO continued to deteriorate rapidly. In 2008, blast furnace number four stopped working mainly due to continuous power cuts and poor quality coke<sup>19</sup>. Thus liquid steel production stopped in this year. ZISCO stopped production and what was once the biggest and the best integrated steel works in Africa became a shadow of its former self. The glory days were now over. As from 2008, ZISCO was reduced to depending on selling scrap metal to generate income and pay its workforce. The company also started relying on selling coke breeze and chilled pull that had been accumulating over the past 40 years<sup>20</sup>.

Both the company and the government lacked the required funds for the rehabilitation of the gigantic steel works. The coke ovens and rolling mills had been dilapidated over the years and need immediate attention. This prompted the government to look for investors to invest in the company<sup>21</sup>. The government was ready to sell its 60% stake of shares to help rehabilitate the plant. In 2010, the government approached ArcelorMittal and Jindhal of India to invest and quickly inject around us \$230 million into ZISCO for a 60% stake. Part of that US \$230 million was to be used to retrieve a Euro 40 million debt acquired by ZISCO in 1998. But reports suggest that President Mugabe rejected ArcelorMittal and Jindhal bids arguing that the two companies were too big. Mugabe feared another form of imperialism hence he is said to have recommended medium sized enterprises to buy the 60% stake of ZISCO<sup>22</sup>. However, specialists in the iron and steel industry argued that ZISCO needed an investor with the financial muscle in order to bring back production. Jindhal was ready to pump out US \$2 billion in getting ZISCO back on its feet, build a stainless steel plant and a 2 000 megawatt power station. This plan could have been very useful to the whole country and take the iron and steel industry to a whole new level.

New hopes for the revival of the gigantic steel works resumed in 2011 when an Indian based firm called Essar Africa Holdings won the bid. ESSAR bought control of ZISCO from the government in a deal that was worth US\$ 750 million. This firm secured 54% stake of the company reducing government's shareholding to 36%<sup>23</sup>. The other 10% was left for a consortium of private investors. This saw the birth of New ZimSteel as the company's name was changed from ZISCO to New ZimSteel. Essar Holdings also took full control and ownership of

ZISCO subsidiary company BUCHWA which mined iron ore for ZISCO, BUCHWA was also changed to New ZimMinerals.

Essar Holdings was aiming at ramping up steel production to 2.5 million tones of liquid steel in a period of three years. The new owners were also planning to build a slurry pipeline to transport iron ore and coal from Zimbabwe to the port of Beira in Mozambique. Essar also pledged to clear ZISCO's 40 million debt. Steel production was supposed to resume at this new company immediately after the deal but was delayed due to protracted negotiations between Essar and the government over power, water and tax concessions<sup>24</sup>. They were also arguments between the government and Essar holdings over the iron ore mineral rights which the government was now refusing with.

Hence despite the deal having been signed in 2011 and the company changing names, New ZimSteel failed to resume steel production at the steel works. This was largely due to the issue of mineral rights, payment of outstanding workers backlog from 2008. Company workers had been receiving meager salaries after a period of two to four months starting from 2009<sup>25</sup>. These workers were promised their backlog salaries when the company resumed operation hence it was the government's obligation to pay workers their outstanding salaries.

Five years have gone by since the government sold ZISCO to Essar Holdings but not even a kilogram of steel has been produced. They are feared reports that the Indian based firm has since

pulled out of the deal since the government was refusing to grant them their iron ore mineral rights. This proves to be the case since the Zimbabwean government is now eyeing for other potential investors to invest in the company. Ever since the company was renamed New ZimSteel nothing has changed in the status of the company; it is still silent with no activity. Recently in early January, the government fired all the remaining working force and some were granted long term leaves without pay. This is a clear sign that things did not change and that they is now no hope for the revival of this former gigantic integrated steel works. The Essar deal has collapsed just like the GHSL deal which failed to materialize in 2006. Hence ZISCO has remained a shadow of its former self being fully owned and controlled by the government<sup>26</sup>.

### **3.3 THE IMPORTANCE OF IRON AND STEEL INDUSTRY IN ZIMBABWE**

The iron and steel industry has played a very crucial role in Zimbabwe from the colonial times to the present Zimbabwe. The company led to the development of Redcliff into a town it is today. Redcliff town was established in 1912 but started to fully develop after 1948 when the iron and steel industry was established in Redcliff. The company necessitated the building of schools in Redcliff for its employer's children. Redcliff Junior Primary school was built in 1950. In the same year the company also built a medical clinic for its workers in Redcliff. The company also built in recreational facilities for its employees like the ZISCO club which was opened in 1950, and Alan Golf Club which was opened in 1953<sup>27</sup>.

Redcliff was inhabited by up to 1,650 Europeans living in 320 homes. Hence the company embarked on a housing scheme to house its workers. In 1970 Redcliff Mansions were opened

which provided flats for company workers. Redcliff was inhabited by Europeans. Africans had their settlement built in the west of the company where all the smoke and waste from the industry was dumped. Torwood Township was built for African workers. At first they were only bachelor blocks which accommodated up to 800 workers; each block was occupied by more than 15 people. This was part of the compound system where Africans lived in overcrowded areas with very poor living conditions so that the Europeans minimized their production costs and maximized profits. The company later on built 560 married and 210 single house units in the 1950s<sup>28</sup>.

In Torwood Township, RISCO also built in social facilities like a stadium, pubs, an open air cinema, a beer garden and parks for its African workers. The company also built one of the best hospitals in Kwekwe in Torwood for its workers known as the Torwood Hospital. In 1959, RISCO embarked on building a learning centre for its African workers in Torwood. The company also built Drake [ZISCO] High School and later on Batanai [ZISCO] High School in the 1980s by ZISCO<sup>29</sup>.

During the colonial times, RISCO was also very important as a primary producer utilizing the natural resources of the country, spreading through public utilities, construction, secondary industry, mining, agriculture and commerce to every aspect of the Rhodesian economy. RISCO was able to meet the country's demands of foundry pig iron. It supplied steel for construction, fencing, and building. During the UDI when Rhodesia was hit with sanctions, RISCO became the backbone of the country's economy. It earned the country the much needed foreign currency

for the survival of her economy<sup>30</sup>. RISCO provided employment for over 5 000 people and supported other downstream industries like the National Railways, Wankie Colliery and other manufacturing industries by providing them with the much needed steel.

The iron and steel industry has continued to be essential for a chain reaction of good diversified economic activity that cuts across the entire socio-economic and cultural well being of the country which encompasses primary, secondary, and tertiary levels of extractive and manufacturing industry in post colonial Zimbabwe. The steel industry therefore transformed vast mineral resources into beneficial commodities for the use of Zimbabwe and its trading partners. ZISCO also provided raw material materials for downstream industries like ZIMCAST which used steel products from ZISCO to manufacture its own products. ZISCO also provided coke to ZIMCHEM. ZISCO also provided markets for other company's products like oxygen from Sable chemicals, coal from Hwange Colliery and the National railways of Zimbabwe<sup>31</sup>. Thus it supported local industries thereby strengthening the Zimbabwean economy.

ZISCO also generated foreign currency for the country through its international trade by exporting its steel products. It was estimated that ZISCO at it peak used to generate about US\$ 100 million worth of foreign currency per annum. ZISCO also created employment for over 6 000 people. At its Redcliff plant only, the company used to employ close to 6 000 workers. Hence it was a source of livelihood for all those people<sup>32</sup>. The company was also responsible for the survival of local shops and traders as well as small businesses. From huge supermarkets to

street vendors in Redcliff and its locations relied heavily on ZISCO for survival because it was the source of income for more than 80% of Redcliff populations.

Through ZAIM, the steel industry in Redcliff was also responsible for the sustenance of the agriculture industry. ZISCOSTEEL provided agriculture implements like irrigation equipments, disc harrows, sheds, scorch carts and ploughs through its agriculture division which was opened around 2004 called ZAIM. ZISCO also sustained the transport sector through railway lines, brake discs, transmission line, vehicle chassis bodies, conveyor belts structure, wheel drums, trailer and tankers.

The company also supported social activities like sports through the chamber of mines games that were held every year. This allowed the company to support local talents like athletics and soccer players who were recruited to represent ZISCO in the Chamber of Mines<sup>33</sup>. The company also had a soccer team that competed in Zimbabwe's premier league division 1 and provided entertainment for the workers and local inhabitants of Redcliff and Torwood. The company also supported schools by paying school fees for its employees children's and providing schools with building materials. Thus ZISCO was undoubtedly very important in the socio-economic as well as cultural well being of Redcliff and Zimbabwe as discussed above from the colonial times when the Redcliff works were established in 1948 until the company collapsed in 2008.

### **3.4 CONCLUSION**

In conclusion, RISCO became known as ZISCO meaning Zimbabwe Iron and Steel Company soon after Zimbabwe attained independence in 1980. The Zimbabwean government took total control and ownership of the steel plant. Under the new name and ownership, ZISCO continued to develop through a number of expansion projects which were undertaken by the company. The company even ventured in agriculture by manufacturing agriculture implements at ZAIM. However, the turn of the 21<sup>st</sup> century witnessed the decline of ZISCO which later closed shop in 2008 due to a series of problems it encountered as to be fully discussed in the following chapter.

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## **CAPTER 4**

### **THE FALL OF ZISCOSTEEL**

#### **4.0 INTRODUCTION**

This chapter is going to have an in-depth look at factors which led to the collapse of ZISCO. The company stopped operations in 2008 after blast furnace number 4 stopped working in January due to erratic power supplies, supply of poor quality coal and the collapse of the coke ovens, political unrest, corruption, financial problems, huge debts, government interference in the management and affairs of the company to the 2008 economic crisis, brain drain, and the collapse of the GSHL and ESSAR Holding deals which were supposed to bring back life to the company, all these factors are to be discussed in this chapter.

#### **4.1 FACTORS WHICH LED TO THE COLLAPSE OF ZISCO**

The complete shutdown of ZISCO in 2008 came as no surprise to many people as the company started showing signs of deterioration a long time back in the early 2000. ZISCO was installed with the capacity of producing up to 1 million tones of liquid steel per annum but the company started producing an average of 300 000 metric tones of steel per year from the period 1998 to 2000<sup>1</sup>. Starting from 2001 steel production rapidly declined to 100 000 metric tones which averaged only 30% of the previous steel production quantities. The company tried to rectify this problem through its strategic plan covering 5 years from 2001 to 2005 which aimed at producing 25 000 to 30 000 tones of steel per month but the blast furnace could only produce 5000 to 10

000 tones of liquid steel monthly from 2001 to 2005<sup>2</sup>. Steel production finally stopped in 2008 and the company has never produced a single kilogram of steel ever since.

The collapse of ZISCO was a gradual process which can be linked to various aspects which included corruption, mismanagement of company funds, rapid financial problems, huge debts, inadequate coal supplies from Hwange. These factors also included shortage of foreign currency and the company's failure to acquire vital spare parts, consistent power failure, brain drain and the resignation of experienced and qualified technical and other personnel due to the economic crisis which hit Zimbabwe in this period. Most importantly the failure of blast furnace number 4 in 2008 which signaled the complete shutdown of ZISCO.

ZISCO was heavily indebted by the time the Zimbabwean government took full control and ownership of the company. Through out its lifetime, the company had relied on government grants, loans and subsidies<sup>3</sup>. By 1979, the Rhodesian government loans to ZISCO totaled about Z\$ 92 million but these subsidies were stopped in 1980 which resulted in heavy cash flow problems<sup>4</sup>. Reports claim that from 1981 the company started operating at a loss of Z\$ 1, 25 million per day<sup>5</sup>. This left the company in great financial problems leaving it heavily under funded and unable to invest in any development projects and rehabilitation of its plant.

The company turned to financial institutions like KFW of Germany and China Exim Bank for financial bail outs in its expansion and rehabilitation projects. S Murunda concluded that this

move created worse financial problems for the company, the company ended up with huge debts. ZISCO surrendered its mining concession to KFW Germany after failing to pay a US\$ 17.6 million loan advanced to it for constructing its steel plant<sup>6</sup>. ZISCO was taken to the international court over this unresolved debt. ZISCO also owed up to US\$ 4.71 million to China Exim Bank which acted as the company's central bank in the relining and the construction of number four blast furnace. The company also owed US\$ 88 million to the National Railways of Zimbabwe, US\$ 10 million to ZESA and ZISCO also owed Hwange Colliery money on an inter-parastatals arrangement. ZISCO was suffocating in debt and the government which used to bail it out was also in a financial crisis<sup>7</sup>. Some of the ZISCO's assets were confiscated in South Africa due to these debts. These problems led to continuous financial problems within the company which led to its death bed.

The collapse of ZISCO also resulted from corruption and gross mismanagement of company funds and resources by stakeholders on personal business that had nothing to do with the company. Various forms were used by company personnel's and various stake holders which includes claiming of large allowances from the company after travelling on business that had nothing to do with the company, people also engaged in dubious contracts where the bids were rigged, over pricing purchase where the excess money was split between the arranging parties and taking cash for private use<sup>8</sup>. In 2006 the National Economic Conduct Inspectorate conducted an investigation on corruption claims at ZISCO and its findings were shocking. These findings implicated a number of former government ministers who were also involved in the ripping of the company's assets and funds. One official from ZISCO claimed that the raiding of ZISCO by

government officials will make all previous graft cases look like a ‘Sunday afternoon picnic’ when it is finally reviewed<sup>9</sup>.

A great example of this looting and corruption by both the government and ZISCO’s officials was seen in Botswana at the famous Grand Palm Hotel Casino and Convention Resort. Approximately P 150 000 of the company’s money was spend in 2003 alone by these officials on hotel bookings and expensive drinks and food<sup>10</sup>. Nepotism was also rampant in the company which led to unqualified people being appointed to run critical areas. These people failed dismally. Corruption and the systematic ripping of the company by official drained company funds. The company was left on the brink of bankruptcy which catalyzed the financial burden of the company leading to its total shutdown in 2008.

The political situation in Zimbabwe also necessitated the collapse of ZISCO. Due to the claimed abuse of human rights through political violence that rocked the 2008 elections, Zimbabwe was hit with smart sanctions by the United States of America. Zimbabwean companies especially owned and controlled by the government or any government official were listed on the Executive Order of the United States sanctions hence restricted from the international world trade. ZISCO was also listed, hence it lost its foreign markets and source of foreign currency<sup>11</sup>. The company was left with insufficient foreign currency needed in the modernization and rehabilitation of its deteriorating plant. Hence the plant continued to collapse and disintegrate which led to the collapse of ZISCO.

The economic crisis in Zimbabwe which began in 2007 had devastating effects on the already struggling steel works which contributed to the collapse of ZISCO<sup>12</sup>. The economic meltdown was followed by sky rocketing inflation rates which affected any form of domestic trade. The Zimbabwean dollar was losing value every minute. The inflation rate was very alarming hence the company lost its savings which were in banks. Domestic trade was heavily affected, the company could risk making loss because the currency was now worthless and was not even allowed at the international market.

Moreover, due to the economic meltdown which affected almost three quarters of ordinary Zimbabweans, ZISCO suffered heavy loss of its most experienced workers. At its peak, ZISCO used to employ close to 6000 people at its Redcliff plant alone and most of these workers were trained by ZISCO. P Mamvura estimated that due to the brain drain of 2007 to 2009 ZISCO's Redcliff plant was left with about 2000 workers<sup>13</sup>. The company lost the most qualified and experienced workers who flocked out of the country into the Diaspora and neighboring countries looking for greener pastures. ZISCO was left with the inexperience, less qualified and mostly older workers, those who left were the ones who could operate machine and manage the company efficiently. Those who were left behind could not steer up the company. Hence they led it to its complete shutdown<sup>14</sup>.

According to an interview with E Mutero, the failure of blast furnace number four was the final blow to the already crumbling steel giant<sup>15</sup>. ZISCO used coke to fire up the blast furnace and the coke came from Hwange in the form of coal. The turn of the 21<sup>st</sup> century witnessed the company

starting to have production problems due to erratic supply of quality coal from Hwange. Erratic coal supply from Hwange resulted in shortening of the blast furnace life span due to stop and start situation<sup>16</sup>. A blast furnace should have a continuous life span and should never be turned off unless it reaches about 25 years of continuous operation<sup>17</sup>. The stop and start situation which was initiated by the erratic supply of poor quality coal resulted in reduced working capacity of the blast furnaces and a reduced life span. This resulted in production of liquid steel. When the furnace was due for relining, the company had no money due to problems already stated above and the major shareholder, the government was also bankrupt with no money to fix the furnace, hence contributing to the collapse of the company<sup>18</sup>.

Continuous power cuts by ZESA also affected the blast furnace. These power cuts had devastating impacts on the steel production. On 19 January 2008, blast furnace number four stopped working. Reports claim that it was because of the continuous power cuts of December 2007 which affected batteries of the coke oven which supplied the blast furnace with coke to fire up<sup>19</sup>. This led to the collapsing of the coke ovens therefore affecting the blast furnace which stopped working a month after the coke oven collapsed.

The National railways was the backbone of the mining industry and ZISCO depended on the railways for the transportation of coal from Hwange which was one of the most fundamental raw materials in the liquid steel production. Starting from 2000, the railways industry was faced with socio-economic problems which included high inflation rates, government interference in management, unstable currency exchange rate, poor management and brain drain<sup>20</sup>. These

problems affected the sufficient transportation of coal to ZISCO which seriously affected the production of iron and steel.

The collapse of ZISCO can also be linked to the lack of democracy in Zimbabwe. Accordingly, if a country has no democratic institutions in existence and no law enforcement, there is no culture of accountability which leaves the ruling elite free to fatten their pockets by looting and plundering state resources as they wish. When their horrific crimes do come to light, instead of heads rolling and the government falling to disgrace as would happen in a real democratic country. The rulers would rather treat with hatred those whom they rule of which refusal to answer to their deeds is a common feature. Without transparency, those in powers simply decide amongst themselves on which path to take in the latest and largest cases of national fraud<sup>21</sup>.

This was the case in ZISCO corruption scandal where government officials were implicated for looting and plundering the company resources for their own benefit. Instead of having the culprits punished, the scandal was covered and the report by NECI was never revealed. The same happened in the ZISCO and ESSAR deal when the government instead of honoring the deal and giving the Indian based firm what was rightfully theirs, the government clung to the mineral rights as to be fully discussed in the paragraph bellow.

Government interference in the company also necessitated the collapse of the company. In 2006, ZISCO and an Indian based firm Global Steel Holdings Limited had negotiated a profitable US\$

400 million management deal through the Reserve Bank of Zimbabwe<sup>22</sup>. As stated in the previous chapter that money was supposed to be used in rehabilitating the troubled plant particularly the blast furnace, coke oven buttheries and rolling mills which could have saved the company from collapsing. However, due to corruption which was reported by NECI, GSHL pulled out of the deal and the deal was suddenly cancelled leaving ZISCO on the high way to destruction.

The Zimbabwean government then decided that ZISCO should have a partner or better still privatize to other players with big financial pockets in order to get the steel works back to life. ESSAR Holding won the bid in 2011 and bought 54% stake of the company to try and quicken the relining of the blast furnace and start production because the company had stopped working in 2008<sup>23</sup>. However, disagreements between the government and ESSER over mining rights for the huge iron ore deposits at Ripple Creek and Buchwa impacted negatively on the company which had put its hopes on these new investors. The former Mines and Mining Development Deputy Minister Gift Chimanikire clearly stated in 2011 that the government was never going to surrender 90% of iron ore reserves to the Indian based firm despite the deal they had signed<sup>24</sup>. When ESSAR bought 54% shares of ZISCO the ministry of mines parceled out mining rights of iron ore deposits amounting to 40 billion metric tones to ESSAR<sup>25</sup>. Due to greedy and lack of transparency in the government, they started to refuse with the mining rights. This militated against the revival of the company.

After nearly two years of fighting over the mineral rights issue, the chairman of ESSAR visited Zimbabwe in 2013 to try and resolve the issue as fast as they could in order to start production. Instead of resolving the issue, the chairman was met with yet another greedy demand by the government. The government demanded that the deal be renegotiated to give the government a 51% stake of the company and control of the management of the company<sup>26</sup>. This was part of the Indigenization and Empowerment Policy that was adopted by the government. This policy suggests that the state should have the majority shares in foreign owned companies on a 51-49% stake sharing. The government was now demanding these changes apart from refusing with the mineral rights despite the fact that all the cash resources to fund the rehabilitation of the steel plant was strictly coming from ESSAR. Faced with these challenges, ESSAR holding had no choice but to withdraw from the deal.

Chimanikire strongly acknowledge that negotiations over the mineral rights transfer were taking very long and seriously affecting ESSAR's aims of starting work on the dilapidated steel works<sup>27</sup>. But they cared very little about that. All they were interested in were the mineral rights which they wanted to cling on. Due to these negotiations, ESSAR suspended all activities of rehabilitating the plant pending resolutions of the mineral rights issue. The government was not willing to move an inch on the issue and this prompted the Indian firm to pull out of the deal, leaving ZISCO a shadow of its former self with no activity at all.

## **4.2 CONCLUSION**

ZISCOSTEEL being an integrated steel works meant that one handicap ignited a negative chain reaction of events which led to the collapse of the company. Failure of the company to receive the required 1 2000 tones of coking coal due to inadequate coal liner wagons by the company and locomotives by the National Railways starved the blast furnace of coke resulting in the death of the blast furnace, on the other hand continuous power cuts by ZESA also contributed to the collapse of the blast furnace. The company also collapsed due to inadequate foreign currency, brain drain, heavy debts and corruption as discussed in this chapter. The following chapter is going to look at the impact of the collapse of ZISCOSTEEL.

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## **CHAPTER 5**

### **THE IMPACT OF THE COLLAPSE OF ZISCOSTEEL**

#### **5.0 INTRODUCTION**

Redcliff is slowly becoming a ghost town with no central economic activity and lack of cash flow which leads to economic stagnation. This chapter looks at the devastating impacts of the collapse of the iron and steel industry in Zimbabwe concentrating mainly on Redcliff. This chapter emphasizes on the socio-economic impacts including closure of downstream industries, loss of a major foreign currency earner, closure of local business, loss of jobs, and closure of banks. Problems relating to poverty, school developments, prostitution and increase in crime rates will also be discussed in this chapter.

#### **5.1 ECONOMIC IMPACT OF THE COLLAPSE OF ZISCOSTEEL**

From the time ZISCO steel plant was established at Redcliff in 1948, the company has been a major drive to other downstream industries based in the Redcliff town, Kwekwe, Gweru and surrounding areas, ZISCO produced iron and steel which was used by other companies as their prime raw material. Companies like ZIMALLOYS and ZIMCAST located in Gweru depended on steel produce at ZISCO as their prime raw material in their manufacturing of steel products like window frames, fencing post, door frames and pots<sup>1</sup>. Hence when ZISCO started collapsing, these companies were heavily affected and the fact that ZISCO was the biggest and best iron and steel producer in the country meant that these companies were left with poor alternatives leading

to their doom. When ZISCO stopped operating in 2008, ZIMCAST and ZIMALLOYS stopped production also.

Furthermore, the collapse of ZISCO left ZIMCHEM; a Kwekwe based chemical manufacturing company on the brink of collapsing. ZISCOSTEEL used to provide ZIMCHEM with its raw material that is coal tar, a by product from steel production which ZIMCHEM used to manufacture chemicals such as creosote oil and benzene<sup>2</sup>. Accordingly, ZISCO was providing ZIMCHEM with 75% of its raw materials that when it collapsed and stopped operations in 2008, ZIMCHEM lost 75% of its business. ZIMCHEM slowed production since it was now left depending on coal tar from Hwange which was now expensive due to transport costs. The company soon closed down because it could not meet the demands of chemicals in Zimbabwe. Hence its markets turned to importing chemicals from other countries<sup>3</sup>. ZIMCHEM went out of business because of the collapse of ZISCOSTEEL.

Not only companies that depended on ZISCO for raw material were affected by its collapse. They were companies which also relied on ZISCO for trade which include Sable Chemicals a Kwekwe based firm which manufactured fertilizer. Sable supplied ZISCO with oxygen gas that was used in steel production. When ZISCO collapsed Sables also lost its oxygen market<sup>4</sup>. Hwange Colliery also lost a very important business partner of old times. ZISCO and Hwange Colliery had been in business for many years from the colonial times. Hwange Colliery was the only supplier of coal for ZISCO which was used to make coke used in steel production. Through an inter-parastatals agreement, ZISCOSTEEL owed Hwange Colliery huge sums of money.

ZISCO was one of the best consumers of coal from Hwange that when it collapsed in 2008, Hwange Colliery lost a most important market.

The National Railways of Zimbabwe was also heavily affected by the collapse of ZISCO. The iron and steel company had been using the National railways for decades to transport coal from Hwange and Iron ore from Buchwa. To transport its finished products, ZISCO often used the National Railways hence these two companies were in a very lucrative business partnership. The fall of ZISCO steel left devastating marks on the National Railways which used to depend on the company for business.

The collapse of ZISCO also became a nightmare for the troubled Zimbabwe economy. Since the colonial times during the Unilateral Declaration of Independence by the Smith regime, iron and steel industry had become the backbone of the Rhodesian economy<sup>5</sup>. ZISCO provided Rhodesia with the much needed foreign currency when the country was hit with economic sanctions. ZISCO continued to be a major player in bringing in foreign currency to the country after independence. During its peak it was estimated that the company provided the country with up to US\$ 100 million worth of foreign currency through its regional and international trade<sup>6</sup>. Zimbabwe relied on ZISCO and the mining sector for foreign currency. Hence when the company started to collapse in around 2000, the country lost one of its prominent foreign currency earners. The company on its own started having a deficit in foreign currency for the rehabilitation of its plants. Therefore could no longer provide the country as it once did soon

after independence. This shortage of foreign currency amongst other factors contributed to the 2007 Zimbabwean economic crisis.

The collapse of ZISCO also spelled doom to Redcliff's economic life. Through ZISCOSTEEL, Redcliff was emerging into a prosperous town with a thriving economy supported by medium and small scale businesses. Cash was flowing simultaneously allowing the economy to thrive. Close to six bank representatives were operational in Redcliff including CABS, CBZ, POSB, and Barclays Bank<sup>7</sup>. The country's leading supermarkets like Spar and OK had branches in Redcliff. Even Bata in the early 2000 had branches in Torwood. This proves that economically Redcliff was booming. However, when the company started collapsing, banks closed down and Redcliff was left with only one small CBZ bank the other branches closed down since the town started having cash flow problems.

When the company started having problems and stopped working, workers were left without reliable sources of income. It needs to be highlighted that the company employed more than 70% of the population in Redcliff. Hence when it collapsed 70% of the Redcliff population was left with no source of income which seriously affected local businesses. Bata, Spar, OK and other large super markets closed their Redcliff branches<sup>8</sup>. Mr. Patrick who used to own one of the largest shops in Torwood during the golden days of ZISCO acknowledged that the collapse of ZISCO was a curse to business owners. According to him, running a business in Torwood used to pay off. He was able to send his children to school and university buy a house and car. He used to live a good life because of his shop but things gradually changed resulting from the

collapse of the steel giant. He was forced to close down his shop because they were no longer customers to sell to<sup>9</sup>. In Torwood famous shops like Denz, Nigel Supermarket, Torwood Bakery and Low Price closed down and went out of business.

The collapse of ZISCOSTEEL affected all the corners of local trading, even street vendors and cross border traders were affected. According to Mrs. Lunga, she used to depend on cross border trading, going to countries like Botswana and South Africa buying clothes and kitchen utensils which she came back selling in Torwood. This used to be a very lucrative business since she managed to send her children to school and earn a living through it<sup>10</sup>. But ever since the company closed down in 2008, it is now very difficult to sell anything in the community since people are always without money. She explained that people in Torwood are finding it difficult to put food on their table hence they do not have any money to spare to buy items like clothes and other utensils. This has forced other traders to turn to Gokwe where clothes and other material are exchanged for maize and sweet potatoes<sup>11</sup>. This business venture however is seasonal, thus not very reliable.

The downfall of ZISCOSTEEL also led to brain drain whereby the most skilled and qualified workers left the country to neighboring nations looking for greener pastures and better jobs<sup>12</sup>. This had the effect that only the unskilled and less qualified personnel were left to resuscitate the company. Brain drain also led to the breaking up of families which is going to be discussed under the social impacts of the collapse of ZISCOSTEEL.

The collapse of ZISCOSTEEL led to unemployment. At its peak, the company used to employ up to 6000 workers at its Redcliff plant alone not including its subsidiaries. Due to operational problems the company stopped working in 2008 but workers kept on going to work hence were supposed to be paid for that. With the company not producing anything it was very difficult for the company to pay its workers their full salaries hence workers received a small percentage of their salaries on a period of two to four months the rest turned to backlog. In December last year, the government noticed that the company was further drowning itself in debt over the outstanding workers salaries that were accumulating while the company was not functioning. It was then decided later last year in the 2016 budget that the company should fire its workers to ease the debt<sup>13</sup>. In February 2016 the government fired up to 3000 ZISCOSTEEL workers. Hence unemployment has hit its worst in Redcliff town since almost half of its population is now unemployed. Some of these workers have no hope of getting employment anywhere else since industries are busy closing down and some are nearing retirement age which makes them less marketable for any particular job<sup>14</sup>.

## **5.2 SOCIAL IMPACTS OF THE COLLAPSE OF ZISCOSTEEL**

The collapse of the iron and steel company had a chain of detrimental social consequences on the social life in Redcliff and its locations, Torwood and Rutendo. The collapse of ZISCO ushered in poverty in Redcliff especially its locations which housed most of the steel workers. As stated above when the company started to collapse it found it difficult to pay its workers' salaries. ZISCOSTEEL workers went for close to six years without their salaries since the company stopped working in 2008<sup>15</sup>. The company resorted to selling scrap metal and coke breeze to pay

its works but this was never enough. Workers only received US\$50 after every two to four months. This money was not consistent; at times the workers had to go for about six months without getting paid<sup>16</sup>. ZISCOSTEEL steel workers were surviving on US\$ 0.85 a day which is way below the poverty determine line when the average of US\$ 50 is divided by 60 days<sup>17</sup>.

This situation cultivated poverty in the Redcliff community since most families could no longer afford to put food on their tables. The US\$ 50 was not enough to meet workers basic needs. Many of these workers had children and live in modern houses that required water bills and electricity bills. These families ended up failing to pay their water bills despite the government having slashed previous water balances<sup>18</sup>. Apart from failing to feed their families, these workers had their water services disconnected by the local council due to outstanding bills. They were denied access to clean fresh water due to outstanding balances<sup>19</sup>.

According to the International Council on Economic Social and Cultural Rights [ICESCR] to which Zimbabwe is a signatory, the provision of clean and fresh water is a basic fundamental human right<sup>20</sup>. However, the collapse of ZISCOSTEEL has seen this human right being continuously violated by the town council which disconnects water services for its struggling residents. People have since turned to boreholes for the supply of clean fresh water but conditions are not very favorable. There are always long queue at these boreholes and sometime people have to fetch water at the middle of the night risking their lives and well being especially women and girls.

Due to poverty and unemployment, prostitution and crime have risen in the Torwood and Rutendo communities. In order to survive, women have turned to thigh vending [prostitution] in Kwekwe and Mbizo which is the biggest location in Kwekwe. This prostitution also involves school girls from form three to six, these small girls have turned to prostitution as the only alternative way of getting money since the collapse of the company left many families unable to feed their families. Theft has also been rampant in these communities. People have resorted to stealing DSTVs and Plasmas and many other easily sellable materials to earn a living because life has been very difficult ever since the company collapsed in 2008.

Health care services were also affected by the fall of ZISCO in Redcliff. The company had established a state of the art medical hospital in Torwood for its workers during its operational days but it soon privatized this hospital when it started having production problems. Under private ownership Torwood Hospital only lasted a few years and then collapsed leaving only a small council clinic to cater for the health care of more than 10 000 people<sup>21</sup>. This clinic is too small it can not even cater for 20 people at the same time. This affected the health care of Torwood population since when one falls seriously ill he/she has to be carried to Kwekwe general Hospital which is close to 20 kilometers away from Redcliff. Mortality rates have gradually increased in Torwood due to the collapse of Torwood Hospital and the health care services.

Furthermore, due to poverty people turned to coal mining<sup>22</sup>. This coal was mined just outside ZISCOSTEEL's Center Plant where the company used to dump its waste raw materials. This

worsened health problems since most of these coal miners did not have any protective clothing hence they were exposed to coal dust which cause lung diseases. Most of those who ventured in this coal mining are now succumbing to breathing problems which has been worsened by the lack of proper health care facilities in the community<sup>23</sup>. These people were trying to get a living but ended up shortening their life spans. The collapse of ZISCO has led to a series of health care problems in Redcliff.

The education system in Torwood and Rutendo communities was also gravely affected by the crumbling of ZISCO. Ever since the company started collapsing in the mid 2000, most families could now not afford to send their children to school<sup>24</sup>. More than half of school children at local schools like Batanai High, Drake, R.J Davies and Torwood primary were turned away from school on a daily bases due to failure to pay school fees starting from 2008. At times a class of 50 students could be left with less than 10 pupils who might have paid school fees; one former Batanai High School said this<sup>25</sup>. This seriously affected the education of many children since they spent most of their time at home instead of school because parents could not afford to pay their school fees anymore.

From 2008, local schools in Torwood recorded highest figures of drop outs. In Torwood, most parents removed their children from these government schools which had become expensive for them. They enrolled their children at Proton, a college school that was started by a local math's guru who is known as brother Dumisan<sup>26</sup>. Most parents found this college affordable but did not consider the quality of education which was given there.

In 2015, the ministry of education under Dokora declared that no pupil was supposed to be turned away from school due to failure to pay school fees. This was a relief to those parents who could no longer afford to pay school fees. However, most of their children failed to collect their “O” level and “A” level ZIMSEC results because of outstanding fees balances. Schools were allowed to withhold results of those who did not pay school fees hence pupils found it very difficult to progress with their education because they could not collect their results.

The fall of ZISCO did not only affect pupils and parents but also school developments had been halted. The failure by parents to pay school fees militated against the development of schools. Recently many primary and secondary schools nation wide had embarked on the purchasing of school buses but in Torwood only two schools managed to purchase these buses, Drake [ZISCO] High and R.J Davies primary school. The other three schools have failed to raise enough money to purchase. Mr. Dube the headmaster at Batanai [ZISCO] High clearly stated that his school had failed to purchase a bus since it was expensive and most importantly very few pupils paid schools fees hence the school had no money to do so<sup>28</sup>. Drake [ZISCO] High had its bus reclaimed due to failure to pay the fixed installments to the bus company earlier this year<sup>29</sup>. This was due to the failure of parents to pay school fees.

In 2014, almost 200 people in Torwood were locked out of their homes by the local council in the “H” section<sup>30</sup>. The local council had been given these houses for free by ZISCOSTEEL in the 1990s but now it demanded monthly rentals from residence at US\$ 60 per month. Most of these residents were employed by ZISCOSTEEL hence could not meet this rental fees by the town

council. In July, the local council locked out people from these homes demanding these rents, people were forced to sleep outside in the open like wild animals<sup>31</sup>. Some of these families had small babies but the council cared less about all that, the council did not even care about the status of these former ZISCO workers of which they had gone for years without being paid. This nightmare is far from over, as of to date the council is planning to sell these houses and the ones occupying them are advised to pay a deposit of up to US\$ 3 000 to secure the ownership of these houses<sup>32</sup>. How these people are supposed to raise that money is a mystery, all these people are still faced with the horror of being homeless.

Furthermore, many former ZISCOSTEEL workers had had their properties confiscated by their landlords due to the failure to pay their rentals<sup>33</sup>. These former ZISCO workers had been receiving meager salaries of US\$ 50 on period of two months and even more. Almost half of these workers were renting and are still are. They do not have houses of their own. Hence most of them are failing to meet the US\$ 30 per room rentals since they can not even feed their families, thus most of them are being thrown out of their lodgings and having their properties confiscated by their landlords.

The downfall of ZISCO has also been devastating at family levels. When the company started having problems and finally stopped working in 2008, most qualified workers left the company and their families. They went to the Diaspora and neighboring countries like South Africa and Botswana to look for jobs. Some of these people never returned to their families and ended up getting married in foreign lands, starting up new families and forgetting the ones they left in

Zimbabwe. Many marriages have broken because of this migration. Some mothers faced with economic and social hardships also migrated to neighboring countries to work as house maids but ended up getting married and starting new families. Infidelity and promiscuity also resulted as most families would be apart for a long time and just be able to see each other at festive holidays. All these social vices are linked to the collapse of ZISCOSTEEL.

### **5.3 CONCLUSION**

In conclusion, the fall of ZISCOSTEEL has affected the Redcliff community's socio-economic life. Local industries closed down, the country lost one of its major foreign currency earners, and unemployment became sky rocketing, brain drain and economic stagnation. Socially, poverty became rampant, social vices like prostitution and crime, family breakdowns and declining health care as described in this chapter. In other words, Redcliff is slowly becoming a ghost town like Mvuma due to the collapse of the major iron and steel industry in its backyard which was the backbone of the town's socio-economic life.

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## APPENDIX

### RESEARCH QUESTIONS

- What factors led to the rise of ZISCOSTEEL?
- What significant role has the company played in the socio-economic life of Zimbabwe?
- When did the company started showing signs of deterioration?
- What factors led to this gradual decline in production?
- When did the company stop production and what effects did this have on the company and its workers?
- What measures did both the company and government took in order rectify these production problems?
- Looking at the role ZISCO played in the development of Redcliff, what impact did the collapse of ZISCO had on the socio-economic life of the town?
- Personally how has the collapse of ZISCO affected you?
- Why is it that 5 years after the company was sold to Essar Holdings nothing has changed in the company, why has production not yet resumed in the company?
- Is there any hope for the revival of this steel giant and why do you think so?
- How are you coping with the problems that resulted from the downfall of ZISCO?

## CONCLUSIONS

The iron and steel industry in Zimbabwe dates back to the pre-colonial times. Local inhabitants mined iron ore using primitive methods which included scavenging, open mining and underground mining. Iron ore was then processed in clay furnaces. Iron was used to make tools like hoes, axes, spear heads and gongs. Hence the iron industry had far reaching social, economic, political and technical impacts on human life in pre-colonial societies. However, the industry failed to develop mainly because it was seasonal; methods used in extracting the mineral ore were not effective, poor ventilation in mines and transportation of mineral ores from mines was difficult.

Pre-colonial mining industry was quickly replaced by a settler mining economy. White settler after the colonization of Zimbabwe took over all the mineral rights in the country thereby suffocating local mining. Colonialism led to the rise of a full scale commercial iron and steel manufacturing industry through the establishment of RISCUM, the first iron and steel company in Zimbabwe. RISCUM was established in 1938 when an electric arc furnace was bought in Bulawayo. The Rhodesian government took over the iron and steel company in 1942 through RISCUM. The company was relocated to Redcliff. In 1957, RISCO was sold to private owners and was changed to RISCO. From 1938 to 1980, the iron and steel industry grew to become one of the best integrated steel works in Africa. This was made possible by a series of development projects that were undertaken by the company which includes, construction of blast furnaces, coke oven and sinter plants.

RISCO became the backbone of the Rhodesian economy especially during the UDI when the country was hit with sanctions. The company provided foreign currency, employment, raw materials and building materials for the country. RISCO led to the development of Redcliff into a town it is today with its locations Torwood and Rutendo.

In 1980 when Zimbabwe attained independence, the Zimbabwean government took over control and ownership of RISCO. The company was renamed ZISCOSTEEL in 1980 and continued to grow with the growth of its regional and international markets. ZISCO continued to grow through various expansion projects and financial investments that were put in place especially in the 1990s. The company continued to be the backbone of the country's economy and social life, providing Zimbabwe with foreign currency, employment and raw materials.

However, the company started having production problems in the turn of the 21<sup>st</sup> century. Annual liquid steel production declined rapidly from nearly 1 million metric tones in to only 300 000 metric tones only. Production continued to decline up until the government decided to privatize the company or perhaps have a partnership. In 2006, the government reached a managerial agreement with GSHL but the deal was immediately canceled. In 2008, operation stopped at ZISCOSTEEL due to the failure of blast furnace number 4. The government decided to sell the company to private investors for the company to be brought back to life. In 2011 the company was sold to Essar Holdings and changed name to New ZimSteel. The Essar deal also collapsed the company has now remained a shadow of its former self. Not even a kilogram of

liquid steel has been produced since 2008 and the company has been reduced to depending on selling scrap metal and coke breeze.

The collapse of ZISCO is linked to corruption, financial problems, erratic supply of poor quality coal, and economic meltdown of 2007, government interference, power failures, huge debts. The company finally stopped production in 2008 due to the failure of blast furnace number 4. The downfall of ZISCO led to economic stagnation in Redcliff, closure of banks, closure of supermarkets. The decline of health care services, increase in crime and prostitution, poverty and breaking up of families also resulted from the collapse of ZISCO as discussed in this research.

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