

GAUTENG BUSINESS CONSULTATIVE FORUM

SESSION: MINERAL BENEFICIATION

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HEAD: A new take on beneficiation

KICKER: It's time to be honest with ourselves about this magical elixir 'beneficiation'. We've been throwing this notion of adding value to our raw materials and minerals for over a decade. But are we really up to the task?

BODY:

Last year the Gordon Institute of Business Science (GIBS), where I lecture on strategy, began hosting and facilitating an interesting series with the Gauteng Provincial Government: the Gauteng Business Consultative Forum (GBCF). The idea being to bring business and government closer together, to help them hear each other, and to put in place steps to turn talk into action.

We'd had meaningful discussions on tourism and capital equipment in 2016, and the first session of 2017 was mineral beneficiation. While the other two sectors were largely positive and collaborative, I left the discussion on mining and mineral beneficiation feeling that the mountain ahead seemed inordinately steep.

During the discussion, which was held according to Chatham House Rules (so I'm keeping mum on the names of the industry players in the room), more than one delegate called for the sector to be brutally honest about assessing South Africa's strengths and areas of competitive value.

This comment was particularly telling: "If I look at how strategy is developing around the world, it focuses on developing strengths. South Africa is very good at extractive technologies, we are among the best in the world and what are we doing? We aren't focusing on the strengths of the mining industry, rather on beneficiating products of the mining industry. If we focused on being the best miners in the world, the whole country would be better off." Instead, said this individual, we are heaping regulation onto the mining industry "which is making it less competitive".

Now, obviously, one can't divorce an industry from regulation, particularly not one which has profound social and environment impacts; and also one which is so open to corruption and abuse due to the sheer wealth involved. But this comment took me back about five years ago to a GIBS Economic Outlook conference where former Business Day editor Peter Bruce was chairing a discussion involving Michael Spicer from Business Leadership SA and analyst Aubrey Matshiqi. During that discussion, Bruce made a pretty similar point.

"We try to imagine, when we talk about how we can improve as an economy, a whole new economy. A whole new country, where we have lots of small businesses and everyone is competitive, where we lead in information technology, or we use it a lot. It's an economy that doesn't exist at the moment," said Bruce. "We don't ever ask ourselves if ... we are capable?"

This echoed a comment at the GBCF gathering by the CEO of the Gauteng Growth and Development Agency (GGDA), Saki Zamxaka, who effectively threw down the gauntlet for the industry to be honest about what South Africa can and cannot do. "We have to be honest about what can work and what can't work. We look at the commodities where it can work, and we should focus on that. If

we've been speaking about it this long either it's going to happen or not. And we have to make it work."

Bruce's observation back in 2013 was that South Africa should stick to its knitting: farming and mining. He said: "I've often wondered that if we didn't farm harder and mine more, whether we wouldn't get ourselves out of the jam... We are almost ashamed of our basics, because of our history, but the basics are what they have always been and we are what we have always been: farmers and miners. And we are quite good at it. We were quite good at it. We have a lot of conversations like this, and they are quite uplifting, but perhaps our truth is a little bit more obvious. Simply being that we do have all these minerals under the ground and part of the problem is that we aren't digging them up and shipping them out fast enough. That we are surrounded by red tape."

While mining is a big pie, this certainly came home to me during the GBCF discussion, with the diamond industry in particular coming in for some stark self-reflection. Red tape is not only surrounding the diamond sector it is throttling it and along the way jobs and opportunities are being lost. Those in the industry raised concerns about the fact that South Africa is the only country in the world that charges VAT on rough diamond imports and they spoke of a need to reform the State Diamond Trader (although there are other monopolistic issues which an assessment of the sector would do well to be mindful of). In spite of obviously challenges, South Africa continues to talk about beneficiation involving diamonds, indeed the under-development Gauteng IDZ at OR Tambo International Airport is focused on jewellery and diamond cutting. And yet the state-owned diamond cutting beneficiation company, African Romance, went bankrupt in 2013, after an investment of R97 million from the Industrial Development Corporation (IDC) and an additional R50 million from the Gauteng Enterprise Propeller.

Despite this injection of serious capital into developing the cutting and polishing industry, there are now about 300 jobs of this nature, from a high of between 3000 and 4000 jobs 25 years ago. Yes, the industry has been hit by the global recession, the effects of reduced production and cheaper and improved quality cutting and polishing from the likes of India, but clearly previous interventions haven't worked.

That is not, it must be said, due to a lack of good intentions. Most industry players recognise a willingness on the part of the Gauteng Provincial Government to affect change, but this is often hamstrung by national laws and regulations. Increasingly we have to realise that we need to work within the parameters available. This might mean simplifying our beneficiation approach. It might even mean simplifying it right down to Bruce's observation to simply mining more. Although hopefully with the intention of adding just a touch of value before we export.

One of the finest suggestions I heard during the engagement related to creating pockets of beneficiation plans, effectively one for each mineral we mine. As a country we've focused almost exclusively and for too long on gold, platinum and diamonds; it's time to look at the opportunities in the likes of chrome, zirconium and vanadium. These opportunities may be small and focused on small value adds along the chain, but each time we touch these metals and materials we'll create a job, then another, then another.

Gauteng has grand plans for beneficiation in sectors like platinum group metals (PGMs), and this was regarded positively and with a sense of real optimism by the GBCF delegates. A collaboration between Gauteng government and Impala Platinum to develop fuel cell capabilities in Springs is hugely exciting and it opens the door for developments in capital equipment, materials handling, off-grid and back-up power, and chrome processing too. One delegate close to the project called this a

working model for collaboration, which has already brought in players like the IDC, GGDA, academia and international OEMs (owners of the technology). But it is a huge effort, and it is just one.

Imagine a plethora of similar developments, but on a smaller scale than the 14ha site that will house this fuel cell hub; each one a collaboration with miners to add just a layer more to our involvement with each mineral. Over time these hubs could - and hopefully would - mushroom and develop. Sure they wouldn't be flashy, and they may not involve glossy metals like gold or platinum and jewellery and cutting-edge technology, but this approach would keep South Africa working while sticking to our knitting.

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