

## **GAUTENG BUSINESS CONSULTATIVE FORUM**

### **SESSION: MINERAL BENEFICIATION**

**DATE: 16 February 2017, GIBS, Illovo**

The concept of Mineral Beneficiation, which centres on making the most of South Africa's raw mineral wealth beyond pure export, has long been part of the South African business and political lexicon. This is hardly surprising since, in 2015, mining contributed R286 billion towards South Africa's GDP (or 7.1%), according to the Chamber of Mines of South Africa. According to Stats SA the industry employed 5% of the formal workforce.

In Gauteng, 38.18% of the province's exports come from mining and minerals (2015 figures) and the sector employs 490 000 workers. While South Africa is sitting on some US\$2.5 trillion in mineral resources, most of these "continue to be exported and manufactured into finished products for import back into the country", said Seipati Mangadi, CEO of Gauteng IDZ. "Why can't we participate in this?"

Mangadi was speaking on Thursday, 16 February 2017 at the Gordon Institute of Business Science (GIBS) as part of the Gauteng Business Consultative Forum (GBCF). The GBCF was launched in July 2016 to bring business and government closer together with the intention of unlocking the economic potential in the Gauteng City Region.

In 2016 commodity exporting countries around the world took a knock, given the impact, in part, of China's slowdown and that country's move towards becoming a consumer-driven economy from a primarily manufacturing economy. The impact of external factors again highlighted the need for economic clusters to stand on their own feet and for demand within South Africa to be increased through the process of adding value to raw materials ahead of export.

While 2016 shone the spotlight on this fact, the notion of beneficiation is not new, noted Rupert Barnard, founder of Kaiser Economic Development Partners, who presented on the State of Mineral Beneficiation at the GBCF event.

Since the event was held according to Chatham House Rules, direct attribution of comments and insights (beyond the keynote speeches and overviews by government) has been adhered to in this report. However, it can be noted that Barnard did point out that beneficiation does not date back only to the Mineral and Petroleum Resources Development Act of 2002, rather the concept dated back as early as the 1920s, which saw the establishment of the Rand Refinery. A number of studies and discussions have been held over the years to unpack the opportunities downstream from mining and many of the delegates at the GBCF session stressed that they have attended similar events previously and had held discussions around how to stimulate beneficiation activities and help South Africa to become more globally competitive.

The GBCF event, however, intended to take these 'talk shop' approaches to a new level, explained facilitator Marius Oosthuizen, an expert in strategy at GIBS. At one point in the proceedings, after first splitting the room into discussion groups and then pulling the delegates back into a general discussion, he noted: "It is always a good sign when stakeholders don't want to stop talking! But now we need to focus on a strategic level of what the patient needs to be resuscitated."

#### **Who was there?**

Attendees at the Mineral Beneficiation GBCF included provincial government representatives such as Motlatjo Moholwa, Deputy Director-General of Economic Planning and Development; Saki Zamxaka, CEO of the Gauteng Growth and Development Agency (GGDA); and Phelisa Nkomo,

representing MEC Lebogang Maile. From industry, delegates included the likes of Fahmida Smith and Fatema Haji from Impala Platinum; Labi Kapo, Akapo Jewels; Lauren Patlansky, Grant Thornton; Michael Ellis, Abstral Diamonds; Rainer Wellmans, HyPlat; Peter Moeti and Abel Madonsela from De Beers, Cecil Khosa from the South African Diamond & Precious Metals Regulator; and Norman Qobolo, Automotive Industry Development Centre.

### **The process**

Guided by Oosthuizen and GIBS's Abdullah Verachia, after presentations on the new Gauteng IDZ development at OR Tambo International Airport, by Mangadi, and a frank discussion by the GGDA's Zamxaka, the real facilitation process began. Aided by Oosthuizen, smaller groups of delegates began to narrow down areas of concern; in the process stripping away the noise and arriving at the real key points for consideration.

While government was clearly keen to flesh out mining's contribution to the economy, having recognised the potential in the mining sector and possible value added areas, the feeling on the ground was that while provincial government was interested in working closely with industry to reduce barriers and promote beneficiation, that certain aspects of legislation and policy at national level were proving cumbersome.

According to one delegate: *"There are beneficiation plans all over the place. We've all said as a country that this is what we need to do. it is a political imperative. There are economic arguments for beneficiation, but this assumption that it is an economic imperative creates a noise in this debate. The real question is: In which downstream sectors can we be competitive?"*

Another comment concerned the fact that, in general, South Africa's value addition numbers remain low. Diamonds proved to be a topical subject and one which was unpacked and referenced several times during the day. There was criticism of the role of the State Diamond Trader (established in 2005) and the fact that South Africa is the only country in the world that charges VAT on rough diamond imports. Also of concern was the 2013 bankruptcy of state-owned diamond cutting beneficiation company, African Romance; particularly in light of the R97 million put into the project by the Industrial Development Corporation (IDC), in addition to R50 million from the Gauteng Enterprise Propeller.

While figures pertaining to the declining cutting and polishing industry were not exact, the overarching point was that, from a high of between 3000 and 4000 jobs 25 years ago, the industry is now down to about 300 jobs. *"That is the reality. We've gone down and down. We are swimming against the stream,"* said one delegate, making note of the fact that the global recession had hurt the luxury goods market and that production had halved during the period.

But the discussion was not solely about diamond. Looking at Mineral Beneficiation on a broader level, constraints touched on included uncompetitive market access, inadequate cost competitiveness, skills, limited research and development (R&D), as well as technological constraints.

There was, however a potential bright spark on the horizon, which was highlighted several times during the day: the work being done with regards to fuel cells as part of collaboration between the Gauteng Provincial Government, Impala Platinum, industry and academia. A 14ha site within the Impala Platinum property in Springs had been earmarked for development, with opportunities being outlined in fuel cell catalysts, capital equipment, materials handling, off-grid and back-up power, and chrome processing.

A delegate close to the project noted: *“It is taking input and effort from everyone: From government and the Department of Trade and Industry ... It takes working with the IDC on manufacturing. The GGDA has been very helpful... government has been key.”* Impala has also worked with academia and international OEMs (owners of the technology) and brought them together. *“We see the synergies and mutual benefits that can be achieved. I’d say it was a working model,”* said the delegate.

While fuel cells mark a positive example of collaboration in action, the general feeling was that more opportunities needed to be explored and exploited.

### **Sticking points**

After digging into recurring themes, delegates were able to outline the following priority areas to be tackled to open up beneficiation opportunities:

- The need to develop meaningful partnerships and have frank discussions.
- Skills development and addressing issues of productivity.
- The need to invest in technology.
- The importance of diversifying beneficiation efforts beyond minerals like gold, platinum and diamonds.
- A need to focus on developing a beneficiation strategy for each mineral, based on its unique properties and potential.
- Concerns around regulation, policy and implementation misalignment.
- Improve access to market for finished products.

Noteworthy comments to come out of this engagement included:

*“The investment is there. I would argue the skills are there too. But in terms of cost we are not competitive.”*

*“We are not where we want to be, but do we want to be competing with India and China?”*

*“We’ve committed ourselves to labour rights.”*

*“On the one side is a political desire to create jobs and grow the economy to deliver a better life for all, on the other side is economics. You have two sets of South Africans sitting at two ends of the table, looking at the problems and opportunities from different world views.”*

*“There has to be a symbiosis between government and business. How does government know what is good for industry if they don’t engage with us when they look to change legislation?”*

*“We focus on gold, platinum, diamonds, but we don’t focus on other minerals with value.”*

*“All we, as government, can do is create an enabling environment.”*

Wrapping up the discussion, Oosthuizen commented: *“At lunch, people said to me that this was a good discussion, but will it be more than a discussion? So I am going to throw the ball back at you. We want to put together a working group – we require that the group be diverse. Government on its own can’t solve these issues. Industry on its own can’t solve these issues.”*

A task team was duly constituted, which would require the team to meet regularly over the following three months. Concluded Verachia: *“Take the insights, look for quick wins and get closer*

alignment. Three months from now the task team will present its outcomes to the Premier of Gauteng and the Executive Council.”

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