

Overview of localisation and implications for the South African mining sector

Localisation Workshop: Increased Local Jobs Through Mine Safety
(Collision Prevention Systems for Trackless Mobile Machinery)

26 August 2022

BUSA Localisation

Background



- BUSA has been actively involved in collaborating with government and other social partners in driving localisation initiatives to the extent that post-Covid recovery of the South African economy can be enabled
- To this end, BUSA has established a Project Management Office reporting to the Localisation Committee that seeks to actively contribute to the realisation of localisation objectives as outlined in the Economic Reconstruction and Recovery Plan published by government and negotiated at Nedlac
- Based on Nedlac discussions, 42 industry sectors have been listed as targets for localisation, and “Champions” have been nominated to drive private sector efforts in the sectors
- BUSA realises that localisation cannot be driven through a blanket approach across the economy and has decided to focus efforts on priority sectors that present the highest chances of success

There are many definitions of localisation but the ultimate objective of localisation efforts in South Africa is to increase local manufacturing/production capacity and create jobs

Localisation in South Africa

Target sectors as per NEDLAC

Agroprocessing Value Chain		Basic Consumer Goods Value Chain		Capital Goods Value Chain	
1	Poultry	11	Clothing	26	Agriculture equipment
2	Sugar	12	Footwear	27	Mining equipment
3	Edible oils	13	Home textiles	28	Digital infrastructure
4	Grains and grain based	14	Televisions	29	Green economy
5	Juice concentrate	15	Mobile phones	30	Oil & gas
6	Dairy products	16	Consumer electronics	31	Cement
Health-care Value Chain		17	Fridges	32	Steel products
7	Pharmaceuticals	18	Stoves	33	Steel piping
8	PPE	19	Washing machines	34	Plastic piping
9	Ventilators	20	Household hardware	35	Engineered products
10	Medical equipment	21	Packaging material	36	Earth-moving equipment
		22	Furniture	Transport Rolling Stock	
		23	Wheelie bins	37	Automobiles
		24	Personal care	38	Auto components
		25	Cleaning materials	39	Rail assembly
				40	Rail components
				41	Fire engines
				42	Boats

Sectors prioritisation

Two criteria adopted to categorise and map sectors

1

Potential/
Feasibility

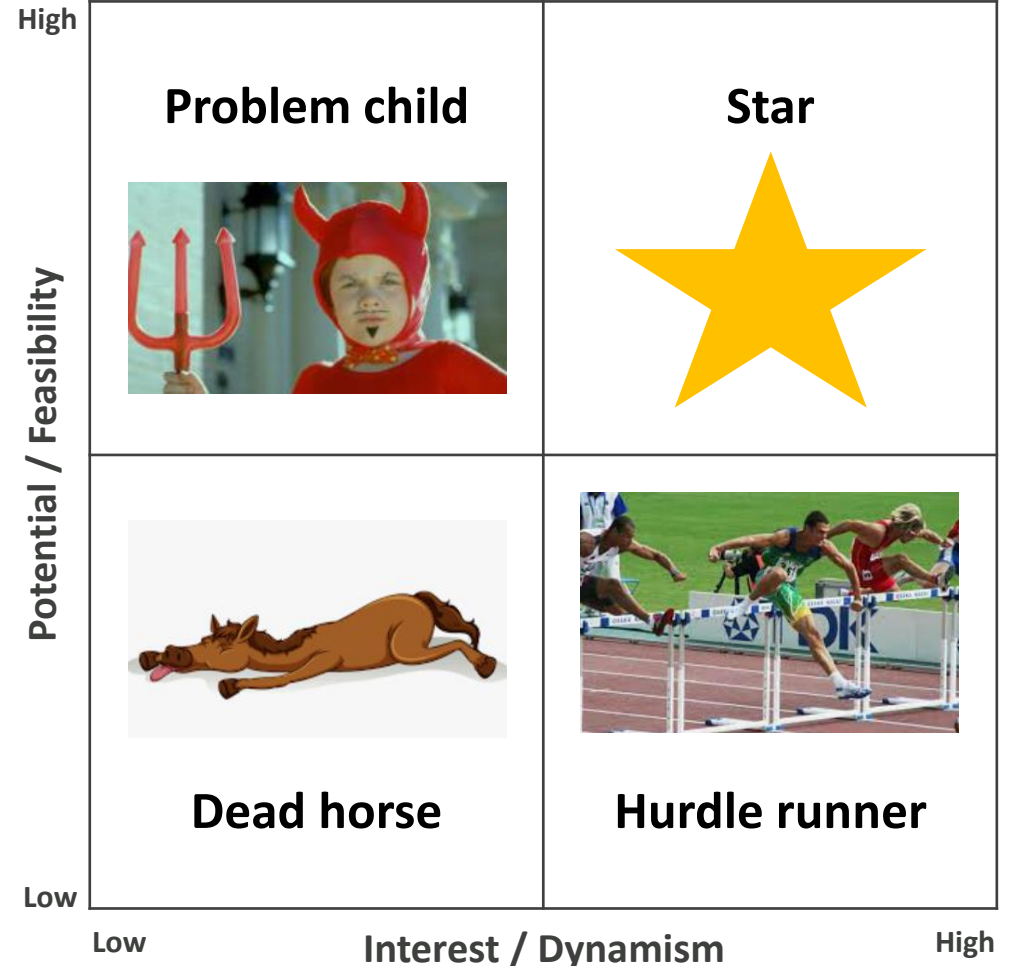
Key drivers

- Overall size of sector
- Growing market demand
- Availability of skills and capabilities
- Availability of “cheap” capital
- Level of strategic alignment
- Industry willingness to collaborate
- Degree of involvement/effort
- Execution capabilities



2

Interest/
Dynamism



Sectors prioritisation

Mining equipment rated highly on both criteria

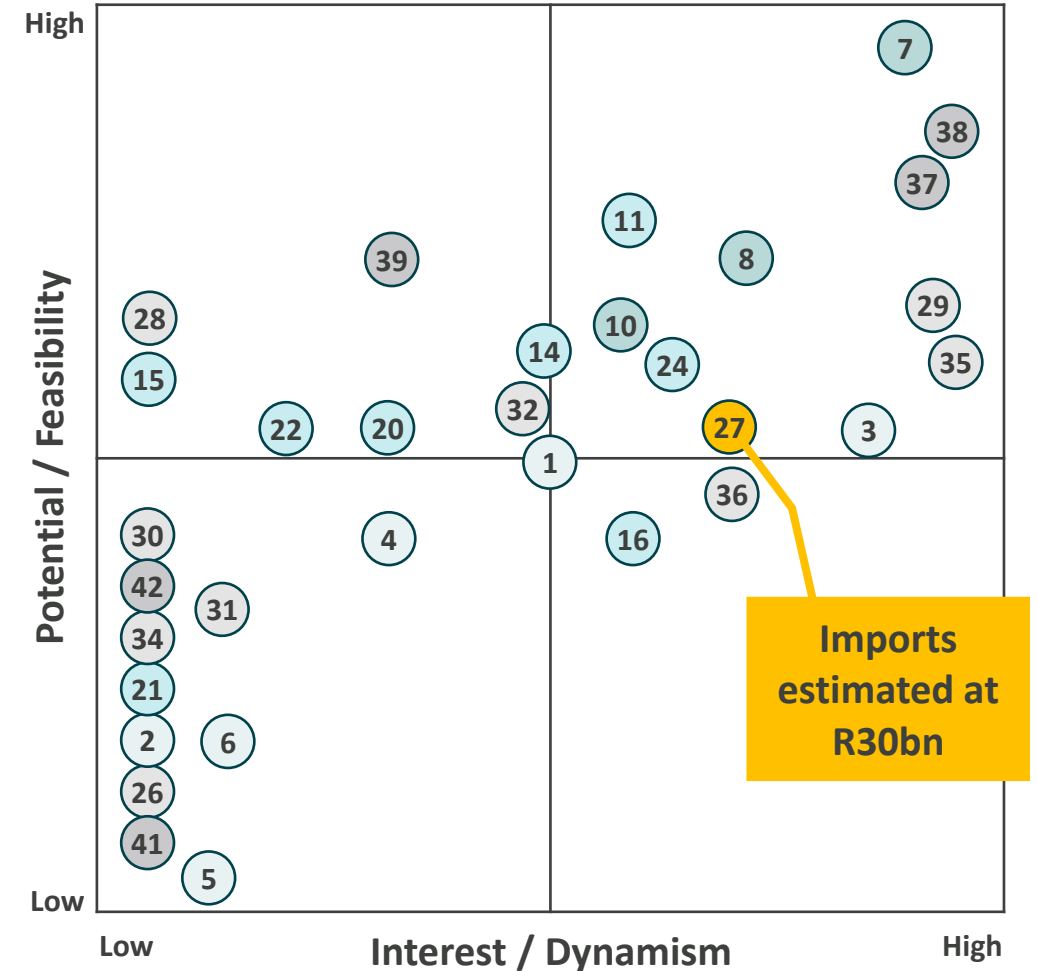
Sector	Potential / Feasibility	Potential / Feasibility				Interest / Dynamism	Alignment	Collabor	Effort	Execution
		Size	Demand	Skills	Capital					
Agriculture equipment	<ul style="list-style-type: none"> • Agri-Industrial Fund of the IDC (R1bn, R200m/a) • Would fit better in Agri-processing for synergies 	Red	Yellow	Yellow	Yellow	<ul style="list-style-type: none"> • No contacts 	Red	Red	Red	Red
Mining equipment	<ul style="list-style-type: none"> • Large demand for mining equipment across Africa can motivate investments • Large part of Mining Equipment is Earth-moving which is another “sector” – consolidate? 	Green	Yellow	Yellow	Yellow	<ul style="list-style-type: none"> • Mark Cutifani (Anglo) more interested in overall CSI and “local to site” localisation (with good successes) • Planning to setup working team with Anglo, Mincosa, Kearney and LSF 	Yellow	Green	Yellow	Green
Digital infra	<ul style="list-style-type: none"> • Very broad sector – might need better specification • Highly technical sector with limited local skills 	Green	Green	Red	Yellow	<ul style="list-style-type: none"> • Sung Yoon (Samsung), Ralph Mupita (MTN), Siphon Maseko (Telkom), Shameel Joosub and Thabiso Thukani (Vodacom) did not reply to emails 	Red	Red	Red	Red
Green economy	<ul style="list-style-type: none"> • REIPPPP provides large opportunity for Renewable Energy – suggestion to make unique sector • Master Plan (SAREM) under completion – lots of research on localisation • World Bank study on battery storage 	Yellow	Green	Yellow	Green	<ul style="list-style-type: none"> • IPPs very interested in order to meet LCR targets • Globeleq (winner of 12 out of 25 BW5 projects) could lead the effort • Green Cape is facilitating SAREM process 	Green	Green	Green	Green
Oil & gas	<ul style="list-style-type: none"> • Expectation of large growth in gas market on the back of Mozambique deposits and projects • Limited oil & gas experience and capabilities in SA 	Yellow	Green	Red	Yellow	<ul style="list-style-type: none"> • Fleetwood Grobler (SASOL) not available for meeting now 	Red	Red	Red	Red
Cement	<ul style="list-style-type: none"> • 100% designated for state contracts but some local manufacturers using imported clinker • Risk of supply crunch if all infrastructure projects move into execution 	Red	Yellow	Green	Yellow	<ul style="list-style-type: none"> • No contacts • Wolfgang Neff (WBHO) declined involvement because contractors do not decide on products – Consulting Engineers critical in defining specs (opportunity?) 	Red	Red	Red	Red

Sectors prioritisation

Mapping of sectors based on assessment

#	Sector	#	Sector	#	Sector
1	Poultry	15	Mobile phones	29	Green economy
2	Sugar	16	Consumer electronics	30	Oil & gas
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4	Grains and grain based	18	Stoves	32	Steel products
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11	Clothing	25	Cleaning materials	39	Rail assembly
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Legend Killed Consolidated



Localisation in mining sector

Current initiatives

- Mining Digitisation project recently launched under Steel Master Plan Local Demand Workstream
- Project fully supported by Minerals Council and now ready to start a pilot
- Overall objective is to increase visibility of aggregated demand in mining sector at detailed product level so that large opportunities can be identified
- Based on initial analysis, current focus is on eliminating/reducing “free text” by adopting a standard product code (based on UNSPSC code set already available in major ERP systems like SAP)
- Project team currently engaging with mining companies that have sorted out the free text issue to understand lessons learned and waiting for further engagement with SAP
- Project will definitely help localisation efforts but should not be seen as “silver bullet” – localisation initiatives can be identified and pursued in parallel without waiting for outcomes

Are there other initiatives that I am not aware of?

Localisation in South Africa

Key insights



- It is easier to drive localisation initiatives at sector level in more consolidated industries e.g. automotive sector, which is broadly considered as the best localisation success story in SA
- Collaboration across the value chain (including critical input providers such as steel, etc.) and engagement between supply and demand is essential to successful localisation – sharing of data is critical to ensure meaningful conversations and subsequent actions
- Current competition laws and regulations create a big challenge to proper interaction but can be softened in the best interest of the country
- Too much focus on protection vs competitiveness – need common vision of successful localisation (efficient and effective) and related “education” and communication
- Important to put targets into perspective – local content support for automotive sector in SA started in 1961 but average local content now standing at “only” approx. 40%

Sizeable (and reliable) local demand is a key factor to motivate geographical choices for setting up manufacturing hubs

Localisation in South Africa

Lessons learned from automotive sector

Critical success factors

- Long term policy certainty – local content support for automotive sector in SA started in 1961
- Ongoing and frequent constructive collaboration
- Programmes open to market forces and driving competitiveness
- Self-funding programmes – easy to defend
- Gradual shift of focus towards export markets and reduction of product range to achieve economies of scale
- Clear objectives and targets, and ongoing monitoring
- Continuous monitoring and tweaking of protection and incentivisation mechanisms based on TRIMS

A study from 2015 showed that “beneficiaries” of localisation were mainly global multinationals with relatively limited value addition of local lower tiers manufacturers – now being addressed through SAAM 2035 and R6bn Automotive Industry Transformation Fund