

**GAUTENG BUSINESS CONSULTATIVE FORUM**

**SESSION: MINERAL BENEFICIATION**

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## **EXECUTIVE SUMMARY**

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:

1. The need to develop meaningful partnerships and have frank discussions.
2. Skills development and addressing issues of productivity.
3. The need to invest in technology.
4. The importance of diversifying beneficiation efforts beyond minerals like gold, platinum and diamonds.
5. A need to focus on developing a beneficiation strategy for each mineral, based on its unique properties and potential.
6. Concerns around regulation, policy and implementation misalignment.
7. 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.”

## **INDUSTRY OVERVIEW**

**PULL-QUOTE 1:** “You can’t compare wages in India or China; in South Africa we need proper conditions of work.”

**PULL-QUOTE 2:** “[I] believe if we can strip out the noise and focus on what we can really do, then we can create downstream industries.”

**PULL-QUOTE 2:** “The purpose of engagements like these is to have frank engagements to move from the theoretical and emotional to see what it would take for this to happen? The private sector needs to come to the fore and, then, what must government do?”

### **Industry Overview: Minerals Beneficiation**

In order to begin the discussion on how to grow the Minerals Beneficiation sector in Gauteng, GIBS’s Abdullah Verachia stressed that honest engagement and the sharing of ideas would enable government and industry to “build and connect with each other”. While the GIBS facilitation process has been created to help achieve this, understanding the current state of the sector was essential to any meaningful discussion.

In order to establish the groundwork for a meaningful discussion, Rupert Barnard, the founder of Kaizer Economic Development Partners, presented on the state of the sector. He invited participation, under Chatham House Rules, from delegates as the session attempted to create an overview of the current successes and challenges. With previous involvement in assessments of the jewellery industry cluster (2000), diamond value add projects (2004), PGMs (2007); potential special economic zones (SEZs) in Botswana (2012/13) and, starting in 2016, a feasibility study on the establishment of a platinum group metals (PGM) value-add special economic zone (SEZ) in Springs, Barnard’s experience allowed for a wide-ranging discussion of both opportunities and challenges.

While the following points were raised in discussion, it was important to note that the notion of beneficiation was not a new concept; rather it dates back to the 1920s and the establishment of the Rand Refinery; perhaps South Africa’s first move to add value to its raw mineral wealth. Since then numerous studies and assessments have been undertaken into opportunities in downstream industries. Many of these, however, have failed to create industries that are competitive on the world stage.

### **Which industries hold beneficiation value?**

Delegates broadly agreed that beneficiation was a political imperative in South Africa, as much as an economic one. However, it was hard to find good value addition numbers and, in general, value addition across minerals remained low with most of South Africa’s mineral wealth being exported in its raw state.

### **The diamond conundrum**

Diamonds were of particular focus during the State of Mineral Beneficiation discussion, as well as throughout the day. Studies show that, since 2004, value addition efforts in the sector have not increased. In general it was noted that the creation of a diamond export levy in 2008 did not have a significant impact, concerns were voiced around the role of the State Diamond Trader (established in 2005 through an Act of Parliament) and the need to reform the body, and the case of African Romance, the state-owned diamond cutting beneficiation company, was discussed.

African Romance went bankrupt in 2013, seven years after being started with R97million from the Industrial Development Corporation (IDC) and R50million from Gauteng Enterprise Propeller. For many this highlighted the fact that beneficiation success was not only to be achieved by investment alone and that more factors had to be taken into account to create the enabling environment necessary.

A delegate in the diamond sector referred to the industry as 'depressed'. *"[There is a] high level of bad debts and bankruptcies in the industry... this is more due to local conditions. We are competing against other luxury items, like cellphones."*

The diamond cutting and polishing industry was a case in point. Twenty five years ago the sector employed in the region of 4000 people, now this is down to around 300 jobs. I was noted, however, that even at a global level, the industry is not always a poster-child for development. Botswana, heard delegates, has focused heavily on developing the downstream sector, and backed by concerted political energy that country saw a jump in jobs to 3750, but this has subsequently dropped to about 2000. *"Even in the world's biggest diamond producer, they are struggling,"* noted one delegate.

This could, in part, be laid at the door of the high costs for cutting and polishing diamonds in South Africa. Although delegates did have an open and frank discussion about whether South Africa should be focusing only on becoming competitive by means of cost alone. Several delegates raised the issue of South Africa's chosen transformation path, noting that the country had opted for a focus on human rights and proper working conditions. One comment was: *"You can't compare wages in India or China; in South Africa we need proper conditions of work."* Another said: *"We are not where we want to be, but do we want to be competing with India and China?"*

Finally, another delegate said: *"We've committed ourselves to labour rights, so we can't compete on that [referring to the importance of keeping human rights at the forefront of beneficiation efforts]."*

### **Platinum group metals**

Similarly, when unpacking the performance of beneficiation in the PGM sector, the constraints to success included factors such as uncompetitive market assess, inadequate cost competitiveness, skills, limited research and development (R&D) input and technology. Jewellery and fuel cells were still areas demanding focus, with fuel cells in particularly holding promise. But, it was noted, beneficiation efforts around PGM around the world were seldom positioned closely to the raw material markets, rather gathering around technology and skills hubs in advanced economies like Germany, the US, the UK and Japan. An exception was the case of HyPlat in South Africa.

However, the belief was that South Africa had an opportunity, in terms of fuel cells, to focus on the early beneficiation efforts, from catalysts through to MEAs (membrane electrode assemblies). *"There is a clear opportunity if you are close to the metal. And there is an opportunity in some end products like backup power and mining equipment,"* one delegate noted.

### **How does SA stack up in terms of competitiveness?**

The debate around whether beneficiation was really linked to competitiveness came in for some debate. In this respect it was clear that – from a South African perspective – Gauteng was certainly best positioned to add value due to some strong technology and intellectual property. Added to this were the province's solid logistics and the focus on industrial development zones (IDZs).

It was significant that delegates did not regard geographic proximity to mines and raw materials as an imperative. Certainly access to metals was important but it was necessary now to look at

different ways to creating the enabling environment which government stressed in their presentations. *“What do we need to do differently?”* asked one delegate. *“Otherwise let’s focus on a slightly different approach. [I] believe if we can strip out the noise and focus on what we can really do, then we can create downstream industries.”*

### **Asking hard questions**

This questioning approach was a key focus of the presentation by GIDZ CEO Seipati Mangadi during her presentation. “My team wants to know who is doing what, why they are succeeding when we aren’t?” she said in her assessment of the Minerals Beneficiation sector. “Look at diamonds, we are no longer dominant in mining but when it comes to polishing we don’t make it onto the graph. India, which doesn’t produce diamonds, is leading in a big way. Similarly with platinum, we don’t show up as a platinum beneficiator – this is dominated by China. How did they achieve that?” Mangadi asked. “The purpose of engagements like these is to have frank engagements to move from the theoretical and emotional to see what it would take for this to happen? The private sector needs to come to the fore and, then, what must government do?”

In general, Mangadi noted that manufacturing across the board in South Africa was in decline. “If manufacturing is only increasing by 0.8% in 2016, then the jobs will not come. So we [at GIDZ] have an obsession in understanding what it would take for manufacturing to beneficiate.” We have to be real that there are obstacles to achieving growth, said Mangadi, referring to the 6% growth required by the National Development Plan. A far cry from Finance Minister Pravin Gordhan’s growth expectation of 1.3% growth in 2017, as noted in his 22 February 2017 Budget Speech.

“We know these obstacles but I’ll highlight policy alignment and our aspirations. We have noble ideas of what we want to achieve as a country, but are our policies facilitating this,” asked Mangadi.

### **The Gauteng story**

Bringing the discussion back to Gauteng, the question was where the province stood in terms of mining and beneficiation. Currently 38.18% of Gauteng’s exports come from mining and minerals, noted Mangadi, referencing September 2015 figures, and the industry employs 490 000 workers. By processing more intermediate and finished products before export, Gauteng certainly sees the chance to reap more benefits.

Said Mangadi: “We, as Gauteng, aspire to be the implementer of that [national] strategy. In support of that the province is working on a strategy to rework the mine dumps and the beneficiation of mining produce.” Other areas include how to transfer mining skills into other sectors, skills training, and developing infrastructure to support or enhance mineral beneficiation. “All we, as government, can do is create an enabling environment,” she said.

## **GOVERNMENT PERSPECTIVE**

**PULL-QUOTE 1:** “We want to work closely to reduce barriers, in order to promote minerals and beneficiation. We’ll use incentives and we’ll work hand-in-hand with relevant stakeholders to develop a collaborative approach.”

**PULL-QUOTE 2:** ““We own it; we should be able to participate in it. The majority of South Africa’s raw materials are exported and manufactured into finished products for import back into the country. Why can’t we participate in this?”

**PULL-QUOTE 3:**“We need suggestions on things that can be implemented. We might not solve all the problems at once. There may be a million things that can be done, but let’s start somewhere.”

### **Government Perspective**

The Gauteng Provincial Government was well-represented at the Minerals Beneficiation session of the GBCF, with Phelisa Nkomo from the office of the MEC, Lebogang Maile, opening the discussion from the perspective of government.

She spoke of the need to build on social capital and “better understand each other as government and private sector”. Nkomo noted that the GBCF was “designed to capture dynamics in the sector. The mining sector has been the backbone of the economy, particularly Gauteng. So what are the value adds we can do? What are the key things in the mineral economy that we can do? We want to work closely to reduce barriers, in order to promote minerals and beneficiation. We’ll use incentives and we’ll work hand-in-hand with relevant stakeholders to develop a collaborative approach.”

From the point of view of government, Nkomo noted that growing the sector was no only about job creation, but also about absorbing young people and upskilling them; creating a viable and sustainable economy for the future and for future generations.

However, achieving this in a world of slow growth and uncertainty was not going to be easy, conceded Saki Zamxaka, CEO of GGDA, who referenced the recent World Economic Forum in Davos, Switzerland. “The real issue is that we are a country that, for the longest time, has grown out of mining. Gauteng was built on gold. About 80% of mining supplies come out of Gauteng. The question politicians ask is can we do more out of these commodities to benefit the country and create jobs. People have got to be employed,” he said.

### **Outlining Gauteng’s IDZ efforts**

Finally, government took the opportunity to outline the province’s focus on the Gauteng Industrial Development Zone (IDZ) and how this fits into the provincial picture. Discussing the developments and driving vision was the CEO of GIDZ, Seipati Mangadi. She started with a focus on the value of beneficiation and the fact that, at 2010 values, South Africa had US\$2.5 trillion in mineral resources.

“We own it; we should be able to participate in it,” she said. “The majority of South Africa’s raw materials are exported and manufactured into finished products for import back into the country. Why can’t we participate in this?” she asked.

In an effort to create an enabling environment in which the business of beneficiation can thrive, Mangadi noted that the Gauteng Provincial Government aimed to focus on cluster development, “to create an ecosystem of sectors that will enable transformation, modernisation and re-industrialisation”. This all points to the important role of the GIDZ. “It is an economy tool which the

country has adopted to anchor industrialisation. Ours is in the eastern corridor in Ekurhuleni (in the vicinity of OR Tambo International Airport)."

Naturally, because of the IDZ's location in a relatively established area of Ekurhuleni, particularly one anchored around an airport, the focus is naturally on beneficiation, rather than hard industry. Mangadi cited the diamond and jewellery beneficiation precinct at OR Tambo, which has been under construction since September 2015, "so you can get your products in the air in a short space of time", she said.

Touching on jewellery beneficiation in particular, Mangadi noted that Gauteng was actively developing students of design, in order to promote design of diamond-based jewellery. Thus far 44 students had been trained as part of this initiative. "They [the students] speak highly of the skills and I'm hoping that the industry comes to the fore, because the industry would be the beneficiaries of this, not us."

Another value-add hub, this time focused on PGMs, was earmarked for Springs, also on the East Rand, on a 14ha site in the Impala Platinum property. This opportunity would focus on fuel cell catalysts, capital equipment, materials handling, off-grid and back-up power and chrome processing, among others. "I believe this is going to be our next project," she said.

Looking forward, "all roads lead to Ekurhuleni", said Mangadi. Ekurhuleni is South Africa's largest industrial hub, contributing about 8% to the country's production, said Mangadi. It is the largest air cargo hub in Africa, is a hub of Gauteng's railway system and the second largest in-land depot in the world, Mangadi noted. The connectivity afforded by proximity to Africa's biggest and busiest airport – OR Tambo – was a major drawcard, not just for sectors like jewellery, she said.

### **Expectations**

GGDA's Zamxaka said he and government were looking for real engagement, and real input into what government could do to make things happen. "We are here to try and get insights into where government policy might be right." Yes, certain policies are national, but as the wealthiest province "we have some say", said Zamxaka. "We need suggestions on things that can be implemented. We might not solve all the problems at once. There may be a million things that can be done, but let's start somewhere."

That somewhere should, he said, start with understanding the market and whether or not this focus was the best option. If supporting the mining industry in beneficiation was the better bet, rather than focusing on sectors like capital equipment, then we need to change our focus, was his message. It was up to industry to make a viable case. "We are in your hands. We would like some ideas of what the province can implement. We have commitment from government to action some of the things to come out of this discussion," said Zamxaka.

Like Zamxaka, Mangadi had a clear vision of Gauteng Provincial Government as an enabler. "Our role is not to package projects, our role is to engage with the industry and understand what needs to be in place for us to be globally competitive," she said. "We are sandwiched between a government department and industry, in that we have to understand what the industry players have to grapple with and what they need government to enable so they can achieve their dreams. Then we can lobby [national] departments to ensure policy accommodates industry."

## INDUSTRY PERSPECTIVE

**PULL-QUOTE 1:** “It’s not just about supply and legislation. The investment is there... I would argue the skills are there too. But in terms of cost we are not competitive.”

**PULL-QUOTE 2:** “I estimate that at any one time our industry is owed R300 million to R400 million by SARS, that’s out of our operating capital. That means that at least 14% of my capital cannot be used.”

**PULL-QUOTE 3:** “How does government know what is good for industry if they don’t engage with us when they look to change legislation?”

### What business thinks

Unpacking the input shared during the various presentations, GIBS’s Marius Oosthuizen outlined some of the inputs and main keywords which were emerging. They included competitiveness, access, opportunity, beneficiation, skills, strategy and policy. Oosthuizen then split the room into groups, to discuss what delegates believe to be the current state of their sector; affording them the opportunity to unpack these themes and raise and debate other issues. When the room came together again, the following points came through strongly:

### The need for a clear way forward

*“Especially in the diamond industry, we spoke about being brave in defining the direction we are going in. It’s not just about supply and legislation. The investment is there. Companies like De Beers continue to explore, and extend the life of mines, the investment is there. I would argue the skills are there too. But in terms of cost we are not competitive. There is something we should be thinking of, and challenging why countries that aren’t diamond producers are successful [in beneficiation].”*

### The cost of importing

*“If you aren’t in an IDZ and you need to import materials, then you have to pay tax on that.... IDZs and SEZs are, therefore, a good thing to do.”*

### A wider definition

*“Beneficiation is a narrow definition, if you widen it to value add to include trading, sorting, tenders, then you’ll get more jobs.”*

### The impact of VAT

One delegate asked why we can’t make South Africa the diamond culling centre of the world, not Antwerp? “Because of VAT,” said another. VAT on imports was noted as a challenge more than once. One comment on this matter was: *“I estimate that at any one time our industry is owed R300 million to R400million by SARS, that’s out of our operating capital. That means that at least 14% of my capital cannot be used.”*

### Poor implementation

One group returned to the table to highlight policy misalignment and implementation alignment. *“We love research and policy, but we fall down on implementation”.*

### Policy legislation frustrations

One delegate from government explained that policy legislation was a process. *“Government has to come with a vision and that is dissected into packages which are discussed and, at the end of the day, once passed in Parliament it has to be implemented.”*

This comment opened up a lot of engagement, with delegates asking how well stakeholders were being engaged in that legislative process. One comment was: *"In terms of the 2007 Diamond Act, that process took place a long time ago and now there is a need to update and improve it. We need to look at what is working and what is not working."* Another delegate made note of the requirement by De Beers to sell a certain amount of diamonds to local polishers, *"and we can't find them. But we, as a mining company, are obliged to support a beneficiation industry."*

Another delegate asked: *"How does government know what is good for industry if they don't engage with us when they look to change legislation?"* This gentleman spoke of incentives in Antwerp, Dubai and India in the diamond cutting and trading sphere, which had clearly worked in supporting the industry in those markets. *"We can do that, but we need the government to work with us."*

The idea of working with government also came up with respect to broadening the beneficiation focus away from just gold, PGMs and diamonds. *"We don't focus on other minerals with value,"* said one delegate, who suggested that value-add plans be devised for every mineral mined in the country.

### **Cutting through the chatter**

While most delegates voiced the belief that beneficiation efforts must be sustainable and economically viable, many were clear frustrated by the lack of action. *"The last Indaba was in October 2016, nothing has happened. There has to be a symbiosis with government and business."*

In this respect, GGDA's Zamxaka called for industry to be open and honest about what could, and could not be done. *"Take cost competitiveness, you can't always be the cheapest in the world. Are we saying we need to have a race to be the cheapest, do we compete with Dubai on incentives? Some of the things we talk about just aren't going to happen. 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."*

### **The trust deficit**

There was, across the board, an overarching belief in the potential of beneficiation; but a vision fused with the need for realism. The frustration, as some point in the discussion, became palpable, causing GIBS' Oosthuizen to comment: *"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."* Getting onto the same page, required that the delegates from both sides deal with issues of trust, he said.

Oosthuizen asked delegates to consider if there were "historic examples in South Africa of government and business working together? In response, a positive case study for discussion emerged, that of government's work with Impala Platinum, which spans collaboration between business and government, academia, the broader industry, the IDC and the GGDA over beneficiation for fuel cell creation. Said one delegate close to the project: *"What we have done, as an industry, is to look at what is not a new industry... we have a bankable feasibility study and we've come with a new innovative way of looking at it. It's taken a different perspective for us, as a mining industry, to look at this 20 years on."*

Shifting from concept into action had taken input and effort from everyone, said the delegate. *"From government and the Department of Trade and Industry... to working with the IDC on manufacturing."*

*We'd like fuel cell uptake to happen here. The GGDA has been very helpful... government has been key... we see the synergies and mutual benefits that can be achieved. I'd say it was a working model."*

### **Refocus on mining**

An interesting aspect of the discussion was sparked by this comment: *"If I look at how strategy is developing around the world it is going towards a focus 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. And we are adding regulation onto the mining industry which is making it less competitive."*

This was picked up by others who commented: *"We should put as much effort into mining as we do to beneficiation. Mining gives thousands of jobs, not beneficiation."*

Returning to the discussion on the table, another delegate suggested a less ambitious beneficiation focus, and rather one on *"adding a little bit of value every time we touch the mineral."*

In light of the fact that mining shed 60 000 jobs in the last quarter, Oosthuizen suggested that this discussion be taken up by another group, with a primary focus on mining.

### **Access to market**

For those who have been playing the beneficiation space for the past decade, access to market was a challenge; more so than skills – which has largely been addressed and *"now we do produce to the international standard"*. Today's issues facing beneficiators included keeping up with global trends, which, for example, are moving away from platinum jewellery. *"Particularly in Italy, they are using other metals with similar properties to PGM."*

This was eroding South Africa's competitive advantage, said the delegate. *"In 10 years we'll find these minerals don't have the same value."*

In concluding this session, Oosthuizen made the point that: *"We have a portion of beneficiation happening in South Africa and we don't want to lose that. We want to improve that."* Returning full circle to the need to return to the fundamentals of business, issues of cost competitiveness, skills, environments and regulations, he drew out of delegates a trimmed down list of critical points hindering the sector.

*"Where do we have to put our energy, what do we need to fix so it can thrive?"* he asked.

## SOLUTIONS

**PULL-QUOTE 1:** ““There is a middle ground where you can make a profit and still provide good jobs. However, the jobs issue must inform these discussions.”

**PULL-QUOTE 2:** “In the long run the benefits of your participation will come to the fore. Now we need to come up with a programme of action; this is not a talk shop, this [process] is about results.”

**PULL-QUOTE 3:** “We should be supporting technologies that support mineral beneficiation,” said one delegate. “The get economies of scale we need that.”

### Finding workable solutions

Building on from the wide-ranging input from industry and government, GIBS’ Oosthuizen asked delegates to wrap up their group discussions and broaden their focus to the strategic level of how to revitalise the Minerals Beneficiation sector in South Africa.

### Key touchpoints

According to delegates, addressing the following points was crucial to moving forward and creating a collaborative framework in which business and government could engage meaningfully and successfully to drive the growth and development of the Minerals Beneficiation sector in Gauteng, and indeed across the country:

**1. The need to develop meaningful partnerships and have frank discussions**

The country as a whole, beyond and including the Gauteng province, needs to agree on the direction to take. Having half-hearted efforts pulling action in different directions was damaging to the economy and business.

**2. Skills development and addressing issues of productivity**

While point 3 related to technology investment, there was concern about focusing on beneficiation efforts that were ‘fixated’ on technology, especially, was one comment, “when we have a huge unemployed labour force”. But, in spite of comments in favour of human and labour rights, the issue of labour was seen as problematic. *“There is a middle ground where you can make a profit and still provide good jobs. However, the jobs issue must inform these discussions,”* was one comment.

**3. The need to invest in technology**

*“We should be supporting technologies that support mineral beneficiation,”* said one delegate. *“The get economies of scale we need that.”*

**4. The importance of diversifying beneficiation efforts beyond minerals like gold, platinum and diamonds coupled with focusing on beneficiation strategies for each mineral**

This was a unique point, but one which was mentioned on more than one occasion, and that was to create a mineral specific sector focus for each mineral mined in the country, based on its individual properties and potential. *“There needs to be a viable strategy for each mineral,”* the delegate who raised the issue said. The point of this would be to focus on small value-add opportunities around each mineral, allowing for the development of processing opportunities to add incremental value to minerals before they were exported.

**5. Concerns around regulation, policy and implementation misalignment**

While this issue was discussed (and has been duly recorded) extensively under the Industry Perspective section of this report, it is worth noting that in her address, GIDZ CEO Mangadi

did highlight challenges to beneficiation efforts such as access to raw material and the cost of importing inputs. Tax is a significant factor too, she said, noting that South Africa is the only country in the world that charges VAT on rough diamond imports. There are also bills in progress “which might render our beneficiation plans counterintuitive,” she said, referring to a plan to charge VAT on second-hand gold purchases. This highlighted the issues facing Gauteng government, in the broader context of the national policy.

Mangadi spoke of giving impetus to the industry, and said that “there are challenges, policy and legislative, and industry dynamics in terms of skills, supply and production inefficiencies and access to markets. These we want to assess and see how real they are, and which we can tackle. I’d hope we can prioritise how best to do that.”

#### **6. Improve access to market for finished products**

Mangadi, in her address, raised the point of leveraging off the access to markets afforded by means of the BRICS membership, as well as access granted under AGOA (African Growth and Opportunity Act) to support access to markets. For some in the room this required more collaboration, and possibly guidance from government. A partnership model in unlocking access to market for finished products was mentioned.

#### **The way forward**

A task team was established at the conclusion of the proceedings, one which will drive the agenda of the session to determine how the Minerals Beneficiation sector can work together better and more effectively with the Gauteng Provincial Government. The intention of the debate was to equip the task team with an “agenda” to propose and pursue with government. The task team is scheduled to meet regularly in the three months following the session, during which time they will compile insights and create a starting point for achieving closer alignment. At the end of the three months they will meet with the Gauteng Premier and the Executive Council to present their outcomes.

GIBS’s Maidei Matika, the Minerals Beneficiation sector champion, put out this rallying cry: “There may be issues we can’t resolve, but we are looking at things we can influence and change. We need to agree on engagements, so it is not just a ‘talk shop’ and so we are able to come up with proposals.”

Concluding the day’s proceedings, Motlatjo Moholwa, Deputy Director-General of Economic Planning and Development, said: “We can’t drive this on our own. It will be useful to use this business forum to engage with those in the sector, so as we move forward to implementation we can be informed. This [process] must be informed by people on the ground – you.”

He added: “In the long run the benefits of your participation will come to the fore. Now we need to come up with a programme of action; this is not a talk shop, this [process] is about results.”

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