



Thomas Holtz, CEO of the Multotec Group, shows a locally extruded polyurethane panel at the company's Spartan manufacturing facility.

For many years, Multotec has been involved with the South Africa Capital Export Council (SACEC) and, more recently, with the South African Minerals Processing Equipment Cluster (SAMPEC) with a view to promoting South Africa's manufacturing interests. "Within the framework of fair competition, we work together to identify and leverage export opportunities and to protect the local manufacturing networks that we have built up over the years," begins Holtz.

"We are striving to grow our local manufacturing capability, for both local and export

Local content verification for Mining Charter III

MechChem Africa talks to Multotec CEO, Thomas Holtz, about the localisation of manufacturing for the mining and minerals processing industries and his company's pioneering approach to local content verification.

markets – and to be an exporter, you really need to be a local champion first," he says, adding that he has just returned from a meeting to finalise SAMPEC's response to the draft of the new Mining Charter III.

"I have returned from a meeting hosted by the Manufacturing Circle at Business Unity South Africa's (BUSA's) offices in Sandton to finalise our final submission to the draft Mining Charter III. We have decided to proactively engage with the aspects that deal with local supply to the mining industry, section 2.2 referring to 'Inclusive Procurement, Supplier and Enterprise Development' in the draft," Holtz tells MechChem Africa.

"Since the publication of the draft in June, we at Multotec have taken this very seriously, particularly the provision for local content verification. Why has it taken 24 years for this to get into our mining equipment supply terminology?" he asks.

"By its own admission, the DTI has said that it has been focusing on ownership at the expense of procurement. But with respect to jobs and local skills development, procurement is where the leverage is. Shareholding is simply dividend related, but the real question should be: how much of the procurement spend is creating local jobs?" Holtz argues.

The verification process is well articulated in the draft, with the objective of achieving 60% local content for the supply of equipment based on direct input costs, which exclude administrative overheads and profit/markup. "We are enthusiastic supporters of this clause, with some recommendations. We think that the threshold may be a little too high, but on principle, verification will establish the real beneficial facts and enable us to systematically raise the thresholds," he notes.

The verifications process includes the direct costs involved in manufacturing: the bill of materials, labour costs and factory overheads. "And by having this verified, an accurate and meaningful local content value can be attributed to supplied capital equipment or consumables," Holtz explains.

The alternative is to import something into the country, mark it up and pass the sale from a large multinational via a small entrepreneurial business that qualifies by virtue of its B-BBEE score card – with neither creating any meaningful local manufacturing jobs.

Using the draft charter's definition of how verification needs to be done, Multotec has already been evaluated by the SABS against this draft verification proposal. "We identified 13 product families for verification and, of these,



we are achieving the 60% local manufacturing threshold required for all of them.

"Through the process, we have also demonstrated that local content verification can be implemented in practice. If done at income statement level, then the information is too high-level and vague to be useful, while if done at item-by-item level, there may be more than 10 000 items to verify and the process becomes administratively prohibitive.

Between these two options is a product family approach – Wedgewire products; polyurethane screen products; rubber screen products; steel products (frames and trommels); cyclone products; mill liner products, etc – which can each be verified based on typical bills of materials for a basket of products in each family that are statistically aggregated.

"There remain some families that won't make it, because we don't have the manufacturing expertise in South Africa in all areas. Our polyurethane screen panel family, for example, only just makes the 60%, because the labour cost is relatively low and the polyurethane we use has to be imported from international suppliers. That is why we feel that a lower threshold may throw the net a little wider, without negating the fundamental principle and its advantages," Holtz says.

Significantly, Multotec is still working off a draft. "We are first out of the blocks and, with SABS, we have been part of establishing a verification methodology that is workable and implementable. We were the first to adopt this, even though the verification rules may change in the final draft. We understand this and have accepted the risk.

"It is in all of our interests to walk together in a proactive manner to develop procedures that are more practical, pragmatic and ap-



propriate for manufacturing suppliers in South Africa.

Holtz warns, however that local manufacturing should never become associated with protectionism. "As Multotec, we are committed to ensure that we offer globally competitive products. Made in South Africa must never mean inferior in any way. Locally manufacturing should neither be more expensive nor sub-standard. The mining industry exports most of its product and thus we as a supplier have a vested interest in making them as competitive as they can be in the international arena.

"But we need to compare apples with apples. In the minerals processing space, efficiency, product life and reliability are just as important as the initial price. We can compare our equipment to a 100 000 km car tyre. The cost of such a tyre is not going to be as cheap



Above: Multotec polywedge panels are supplied for highly abrasive screening applications.

Left: Multotec's modular screen panel assembly shop and (inset) injection moulded panels manufactured in Spartan, which are supplied to customers across the world.

Below: Multotec's ceramic lining panels being carefully laid by skilled South African specialists.



One of Multotec's state-of-the-art injection moulding machines.

as a regular tyre that may last less than half that long, but if priced per km travelled, the higher quality tyre will end up cheaper," he notes, adding that Multotec sells on lifecycle costing.

"If our locally manufactured mining and minerals processing products help our clients to be successful, then our manufacturing industry will be successful too," he says.

"We are very proud of the proactive stance and of the results achieved through this pioneering local content verification process. It proves that we are a true-blue South African run and managed business that employs South Africans to the benefit of the South African economy and society at large.

"We should all be supporting what is good for the country, instead of simply focusing on the financial benefits to owners and shareholders," Holtz concludes. □