

Local manufacturers to benefit from Mining Charter 3's implementation

Local manufacturers to benefit from Mining Charter 3's implementation

JOHANNESBURG (miningweekly.com) – [Mining Charter 3](#) and its Implementation Guidelines have created an [environment](#) where it is possible for local manufacturers to leverage procurement capacity to drive transformation, Department of Mineral [Resources](#) representative **Xolile Mbonambi** said at a breakfast held at the [Industrial Development Corporation's](#) offices on Thursday.

The ‘Local is lekker: Creating capacity and capability for [mining](#) companies to buy local’ breakfast was hosted by the Southern African Institute of [Mining](#) and Metallurgy in collaboration with the South African [Mineral Processing Equipment](#) Cluster, the [Mining Equipment](#) Manufacturers of South Africa (Memsa) and the Mandela [Mining Precinct](#).

Mbonambi noted that the targets set out in the [Charter](#) create something of a platform for local manufacturers to increase capacity and output, and potentially leverage this growth to meet job creation and economic transformation objectives.

He suggested that the [Mining Precinct](#) research and development work into the development of the next-generation of [mining equipment](#) would assist in a “just transformation to mechanisation.”

Department of Trade and Industry (DTI) director **Yusuf Timol** explained that one of the core reasons for hosting the breakfast was to delve into the the implications of [Mining Charter 3](#), specifically in terms of meeting the supply chain requirements.

Timol noted that the [charter](#), gazetted in September last year, was “quite stringent” in terms of its targets of 70% of procurement spend on South African manufactured goods with 60% local content.

He commented that a 2017 DTI study had revealed that there was no common standard of identifying goods, which meant that it was "difficult to track, nationally, what is procured at an item level, what percentage of that is locally manufactured, what can be prioritised for import replacement and so on".

He noted that in line with Article 2.2.3.1 in the [charter](#), which states that a [mining](#) company "must procure goods in line with a standardised product identification coding [system](#) developed by the DTI", the department is looking into assisting in the development and adoption of such a [system](#) and is collaborating with nonprofit standards organisation GS1.

GS1 standards provide a global integrated framework to manage supply chain information, using unique identification codes to enable cross-border compatibility of supply chain [solutions](#).

The idea is that all local [equipment](#) and [components](#) manufacturers obtain a unique identifiable code for each of their unique [products](#) from GS1. These codes hold varying amounts of data, such as batch number, place of origin and the amount of local content. The GS1 cloud-based database would then enable [mining](#) companies worldwide to source goods using the [barcode system](#).

While Timol could not specifically state when such a [system](#) would be ready, he did reference a 2018 study for the South African cotton industry, which indicated that implementing the GS1 [system](#) in that sector would take five years.

He stressed that the implementation of such a [system](#) was highly important given the fact that growth and adaptability of the local [mining equipment manufacturing](#) sector is dependent on the visibility of its supply chain, including traceability of [products](#), with real-time [flow](#) of information – both the upstream and downstream.

Memsa chairperson **Freddy Muger** added that the [charter](#) enables an [environment](#) that creates opportunities for growth for local suppliers and small enterprises.

He noted that, in terms of capacity, local manufacturers would be able to double output for their existing [products](#) in less than six months but that more capital-intensive capacity increases (e.g new [products](#), new machinery to significantly increase throughput) would only be in one place in the medium term.

He added that foreign original-[equipment](#) manufacturers (OEMs) were localising some of their [products](#) and inputs, and that they have been encouraged to develop

small, medium-sized and microenterprises in partnership with rightholders.

This means that the market will continue to be supplied by local and foreign OEMs, but that there will be a significant increase in local content in the ramp-up period.

Mugeri commented that [financial](#) and capacity constraints at the South African Bureau of Standards (SABS) is cause for concern in terms of verification of [products](#), despite the 24-month grace period stipulated in the [charter](#). He believes the verification issues are too large for the SABS in its current state to handle alone, and that it requires approved vendors and verifiers to assist, similar to the verification and [consulting services](#) industry that exists for black economic empowerment certification.

He also stressed that the [manufacturing](#) sector and [mining](#) companies should adopt the GS1 [system](#).

Mugeri added that local suppliers should look into innovative [export](#) finance [solutions](#) for the African market. “South African suppliers expect money upfront, while our competitors ask for payment 30, 90 or 120 days later . . . who do you think gets the deal?”

He also noted that the government had to tread carefully when classifying [components](#) from OEMs based in neighbouring states, as there might be pushback from those OEMs and, moreover, it could impact the local content calculation.

