

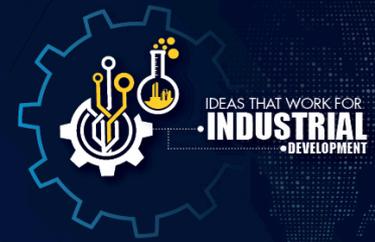


Localisation for industrial development

05 October 2017

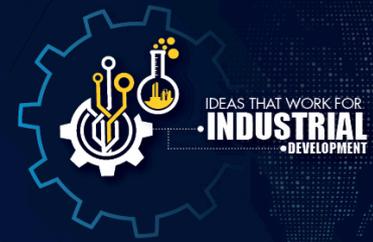
Ashley Bhugwandin, CSIR

Context

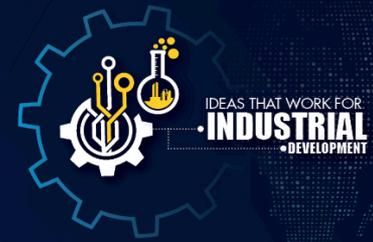


- Commitment from government to support localisation and move it forward
- Government has a responsibility to ensure that infrastructure spend contributes to national development goals through
 - Localisation
 - Transformation
 - Employment and skills development
- Industrial development through localisation is a key driver to creating economic stability
- Local procurement is a means to creating Black entrepreneurs and reaching the target 100 black industrialists

Policies that support industrialisation

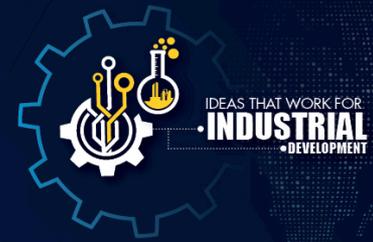


Current situation



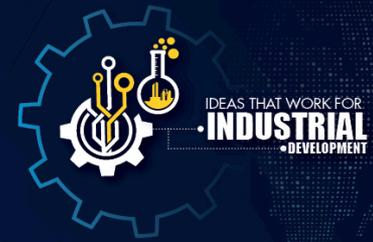
- Majority of South African suppliers are importers with a percentage of local assembly
- There are major projects linked to SOCs with international OEMs where industrialisation can be driven
- The Procurement Preference Policy Framework Act is amended to give preference to localisation
- The required framework for localisation is in place
- There is a lack of implementation capacity within government and SOCs
- The vision is not to localise everything, but to localise where possible

Price premium issue



- This is a major stumbling block to localisation
- Local companies cannot always compete due to
 - Raw material pricing
 - Labour cost
 - Economies of scale
- To counter the price premium debate a holistic approach is required
- The multiplier effect that creates economic contribution and employment must be considered
- This means the benefits of localisation must be defined
- Designation is a policy to assist the local industry
- Buying imported goods due to price has an expensive long term effect
- It is impractical to localise everything and therefore areas of excellence must be identified

The role of the CSIR



- Research and development
- Modelling and simulation
- Material development
- Product development
- Prototype development
- Systems and design
- Technology transfer

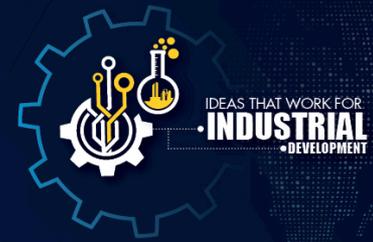


SUPPLIERS

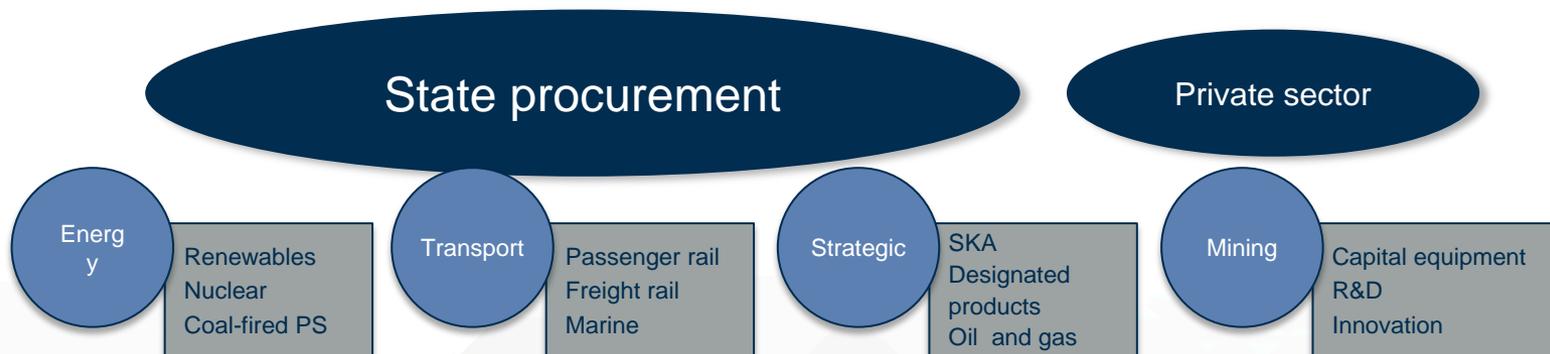
INDUSTRY

CUSTOMERS

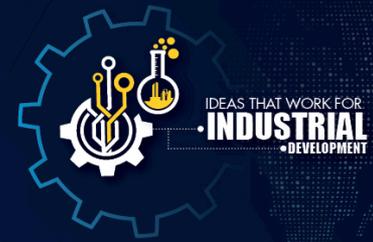
The TLIU



- The TLIU is a DST-funded initiative that is hosted by the Strategic Initiatives Implementation Unit (SIIU) of the CSIR.
- Programme was established in 2012.
- The TLIU was formed to assist with the technological enhancement of the manufacturing sector as defined within the Technology Localisation Plan of the DST.
- This programme is aligned to the infrastructure rebuild programme of the government as well as other national imperatives linked to governmental development plans
- The DST as part of its role to support CSDP realised the need to support the South African manufacturing sector with technological interventions.



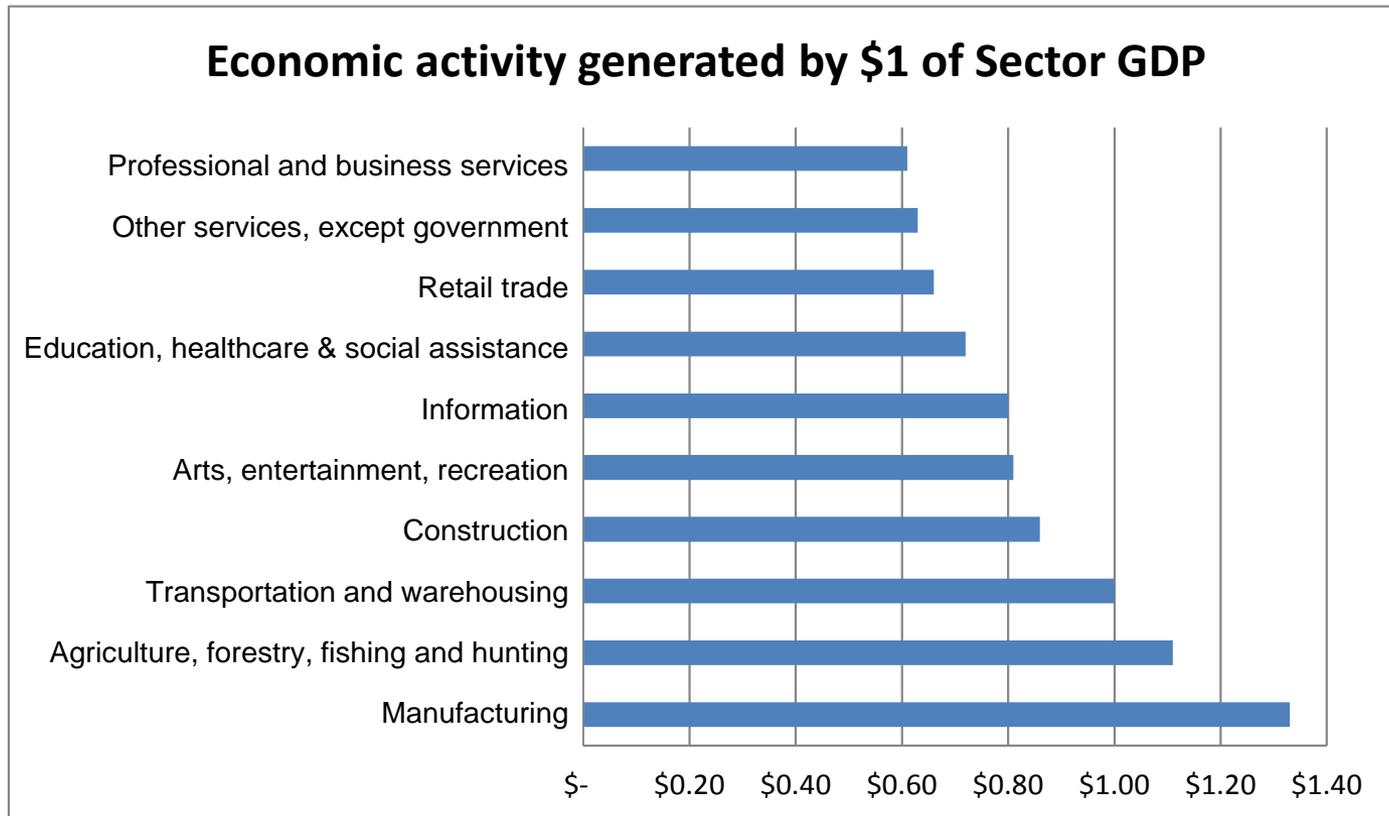
The multiplier effect



- Manufacturing has links to many other sectors in the economy and therefore stimulates economic activity across many sectors

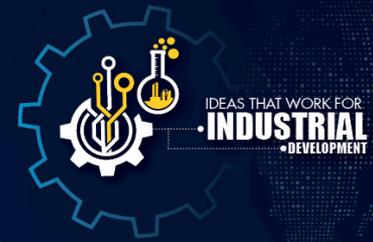


Manufacturing multiplier effect

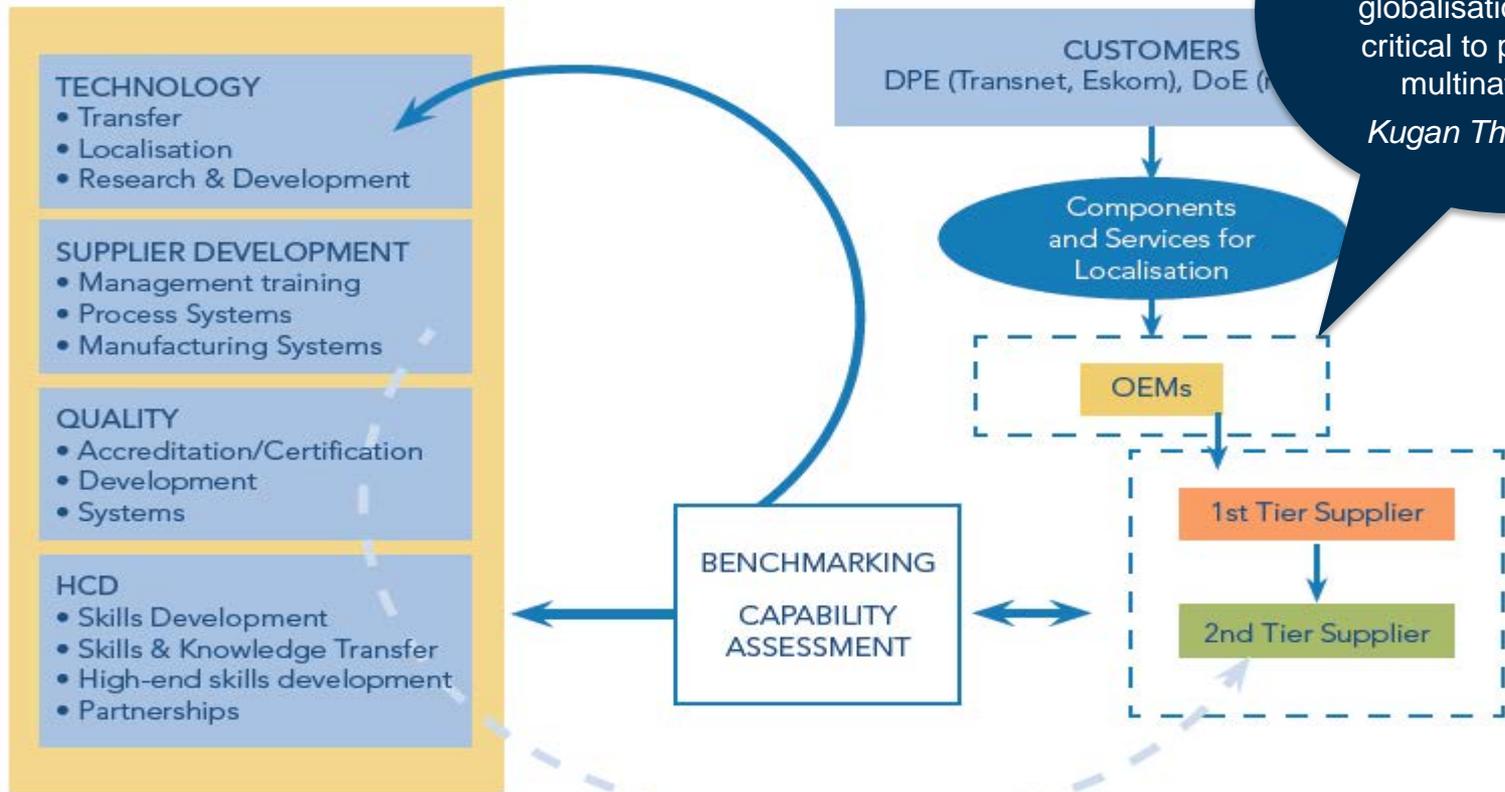


Source: US Bureau of Economic Analysis

Model for localisation and industrialisation

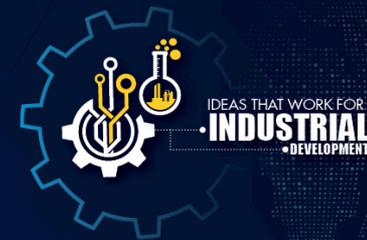


Supplier development: a schematic illustration



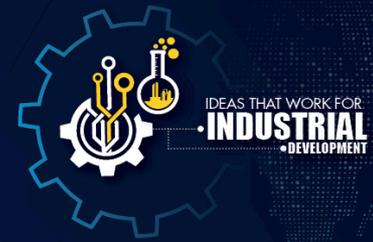
“In maintaining a balance between localisation and globalisation, it will be critical to partner with multinationals.”
Kugan Thaver, PICC

Localisation decoded



ADVANTAGES	DISADVANTAGES
Skills transfer to labour	Dependence on the main industry is risky
A market for a certain type of labour is developed in a locality	Scope of employment is restricted – one type of labour force
Financial facilities grow – industry enjoys cheap credit facilities	Over-specification leads to dependence on other centres
Suitable means of communication and transport is developed	The dishonesty of a few manufacturers has an adverse effect on the sector
There is a stimulus for the starting of subsidiary or supplementary industries – creation of a wider range of employment	Labour tends to lose its mobility
Training and research institutes are established	
Prosperity to communities	

Case study: TLIU



Investment: R9,000,000 (TLIU) + R6,000,000 (ABB)

Local revenue : > R350,000,000

Local content value: >R210,000,000

Jobs linked to ABB: 55

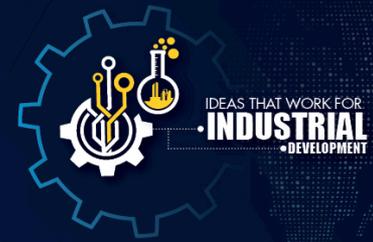
Local suppliers developed: 8

Value for suppliers developed: R94,500,000 (R23,625,000)

Jobs created at suppliers developed: 150

Other benefits: Suppliers have an opportunity to be included on the ABB global supply chain.

Case study: Bell Equipment



BELL EQUIPMENT

Bell Equipment is a South African company active in the yellow metal sector. This sector in South Africa has a current value of approximately R14 billion per annum with an annual growth rate of 8%, which is forecasted to remain at this level.

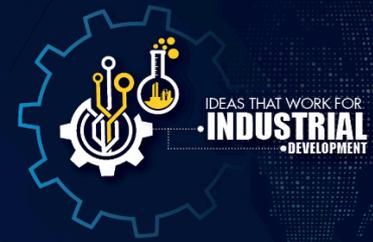
In global terms Bell Equipment is small, but locally the company is a significant player.

One of its products, the articulated dump truck is manufactured in Richards Bay and locally it enjoys 45% market share. However, the company operates at a capacity of less than 50%. Other products include tractors and graders yet market shares for those products are lower. The company has been surviving due to its price strategy amidst a very competitive market.

Bell Equipment is an example of a local company with manufacturing capacity that is not fully utilised. This begs the question: How do we protect this company and others like it from competitive importers that add no additional value to goods provided without shutting out the healthy effects of competition?

An application for designation has been made at **the dti**, and currently is awaiting a response. The critical question here is: How can we speed up the process of designation to ensure that such opportunities are not lost?

Case study: Paltechnologies



- The TLIU assisted a company called Paltechnologies with the development of a transformer valve.
- This is a product development project.
- The light metals division of the CSIR's materials science unit was used as a partner for the development of the valve.
- The services included design, casting system development, prototype development and trials.
- The testing of the initial product has been completed and the product has passed the requirements of Eskom and Powertech Transformers.
- CSIR materials scientists are also involved with the design of a test rig for the project.
- The total investment value with the CSIR is valued at R1,400,000.
- The product has been through the initial testing with Eskom and all tests have been successful.
- Powertech will require at least 1000 valves to be produced.





Thank you

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