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## Newly launched R200m valves factory to take advantage of local content requirements

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**D**anish valves manufacturer AVK Valves Southern Africa has officially launched its R200-million valves manufacturing

facility in Alrode, Gauteng, with the manufacturer being the first in its sector to seek to take full advantage of the Department of Trade and Industry's (DTI's) local content requirements for State-owned entities.

These requirements stipulate that following a particular product's designation under local procurement regulations, such entities must, when procuring the item, ensure it is a locally manufactured, 75%-local-content product.

Speaking at the launch on Wednesday, AVK chairperson **Paul Hubbard** noted that the factory was dedicated to manufacturing AVK products that previously had to be imported from Denmark and other countries.

“We have changed the layout, improved the engineering process, and invested in computer numeric controlled machines,” he said.

AVK’s new plant comprises a 1 200 m<sup>2</sup> training facility, a 2 500 m<sup>2</sup> office area and a 2 000 m<sup>2</sup> logistics and warehouse space.

Speaking to *Engineering News Online* on the sidelines of the event, Danish Ambassador to South Africa **Rask Thygesen** said she was impressed with the plant and that it was something she believed South Africa needed, especially in terms of the quality of valves that AVK manufactures and in terms of the facility’s ability to assist with job creation and skills transfer.

Further, Thygesen highlighted that South Africa was a big investment market for Denmark.

“It’s definitely a priority market. Predictability and transparency, however, is key for business and, at the moment, it is a concern for Danish companies wanting to invest in South Africa,” she said.

Hubbard added that the new facility had enabled AVK to achieve the scale and capacity to not only meet South African requirements, but also to expand in the sub-Saharan market.

“We recently mobilised an export sales team and they are looking at target markets reaching into Southern Africa.”

AVK Southern Africa emerged from Premier Valves Group in 2014, when the Danish valve manufacturer acquired a majority stake in Premier.

Since the acquisition, AVK Southern Africa Holdings has created 150 indirect jobs, and 114 permanent jobs, 84 of which employ artisans across the company's value chain.

“Local designation rules apply specifically to government and State-owned companies (SoCs), although compliance [with designation regulations] does not necessarily flow automatically. However, for the private sector, which can be quite vocal about the need for supportive industrial policy, voluntary compliance with local content designation should be a priority,” said Hubbard.

He explained that this was essential as success began in the specification stage where engineers, designers and procurement departments needed “to ensure that they explicitly specify the requirement for local content of 75%”.

Moreover, Hubbard highlighted that there was already a local procurement accord in place through the National Economic Development and Labour Council and he appealed to businesses to adhere to it.

He further noted that local content designation had already seen a boost in investment and job creation in a number of sectors, including clothing and textiles, as well as bus and locomotive manufacture.

Hubbard stressed that the sustainability of local content designation regulatory policy not only needed public-sector compliance but also “active private-sector support”.

## **ECONOMIC DIVERSIFICATION**

Also speaking at the event, DTI Consumer and Corporate Regulation division deputy director-general **Zodwa Ntuli** said that the launch of the facility was key for the diversification of South Africa's economy.

“Our National Development Plan and the Industrial Policy Action Plan (Ipap) provides a clear direction for sustainable, long-term industrialisation and the diversification of the economy,” she said.

Ntuli added that AVK's investment contributed to this becoming reality.

“Ipap has a key focus and that is to bring about structural change in the economy. We believe it is important to break out of commodity dependence and move towards a diversified economy, focused on value addition and exports,” she said.

Ntuli further noted that South Africa had become a close economic partner of Denmark and that many Danish companies were contributing to South Africa's growth by offering growth and solutions, highlighting that it was a mutually beneficial relationship.

“We are proud that Denmark has decided to play such a significant role in the development of South Africa's economy,” she said.

Ntuli pointed out that the eighth iteration of Ipap specifically called for SoCs to be monitored in terms of compliance with localisation targets.

“In this regard, we have passed a milestone of policy development and hope this can assist in bringing investment into the country,” she said.

## **TRAINING**

AVK hopes to train 1 500 people this year through its training academy, also located at its Alrode facility, which will offer training to non-AVK employees from across the company's value chain.

The training will include those with varying levels of experience to support skills development at all levels.

The core aim of the training programme is to help employees and industry insiders to understand how to advise on and install the range of

valves correctly. 

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