

Solving a sticky situation

Bitumen

Razina Munshi | 25 April 2013



Road repairs bitumen is an essential product

Fed up with an unstable local bitumen supply chain, construction firms have begun to invest in securing their own supply of the mineral, which is an essential product in road construction and repair.

Road-builder Raubex and construction group Basil Read have recently purchased their own bitumen processing facilities. And last month, the industry persuaded the department of trade & industry to drop the 10% duty on imported bitumen.

Imports will always be more expensive, says Raubex CE Rudolf Fourie. But insufficient bitumen production at local refineries has made it a permanent reality. The withdrawal of import duty is a result of a year and a half of negotiations.

Raubex recently purchased Tosas, a modifier and distributor of bitumen, from Sasol Oil for R120m. The sale is packaged with a valuable supply agreement with Sasol Oil. Sasol will supply Raubex with unprocessed bitumen for five years, meeting about 50% of the company's needs, says Fourie. The rest will be sourced from other refineries.

Companies generally use different grades of bitumen. Half comes directly from refineries, while the rest needs to be processed with specialised equipment to make it more elastic and durable. But bitumen is tricky. It has to be stored in custom temperature-controlled facilities. When local bitumen supply was sufficient, there was no need for storage facilities. But without them, the industry has only been able to import small quantities, at a higher price.

In the 2012 financial year, bitumen supply constraints cost Raubex R100m. More recently, it has been able to dramatically reduce costs by investing R21m in storage facilities. This has enhanced its storage capacity from 500t in 2011 to 4500t. The purchase of Tosas pushes this to 6000t, which gives it the ability to order and offload a full shipment.

Basil Read will import a R20m bitumen reactor from New Zealand which can produce up to five grades of bitumen, says CE Marius Heyns. It will be built in the Western Cape and will be operational by July. Unprocessed bitumen will be supplied by a Cape refinery. Heyns says bitumen supply problems contributed to Basil Read's R171m loss in the year to December.

In addition to buying the reactor, it has developed a better reporting system. Previously, by the time information was relayed, it was too late for the company to act, Heyns says. Both firms intend supplying processed bitumen to the market.

Local bitumen supply has been erratic for a number of years. Refineries which produce it are required to give priority to stocking "strategic minerals" like diesel and petrol. Bitumen does not fall into that category - and is more expensive to produce. A series of maintenance-related shutdowns at refineries has aggravated the problem.