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MINING PROJECTS MANAGEMENT

BUSINESS GUIDE

Turning Equipment Scarcity into Opportunity Strategic Solutions for the Gold Mining Industry



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Introduction

The ability to access equipment when needed is crucial in the mining industry. Yet, this necessity is frequently compromised by increasing costs and extended lead times during periods of high demand. These issues can disrupt project viability from what was developed in the Feasibility Study due to longer delivery timelines affecting overall schedules and inflated capital costs due to greater competition to secure fabrication slots. This business guide delves into these problems and explores how strategic approaches can help overcome these challenges.



The Cost & Time Conundrum

Mining equipment is essential for operations, but its availability is often limited by two main fluctuating factors: cost and fabrication lead times. The cost to construct and fabricate new equipment can be substantial even under normal circumstances. However, during periods of high demand, these costs can escalate dramatically, sometimes doubling. The time needed to manufacture this equipment can also extend significantly, often taking 1.5 times longer.

These delays and cost increases affect more than just the immediate procurement budget—they ripple out to cause broader financial issues. Extended lead times can push back project timelines, affecting all project indirect costs, including but not limited to project management and consulting services. Budget overruns become more likely as companies scramble to allocate more resources to cover these increased costs. Periods of higher demand for capital equipment coincide with increased project development by others, leading to a resource crunch. The involvement of more junior personnel at higher rates further contributes to inefficient project execution and rising indirect costs.

The Ripple Effect on Project Scheduling

The scarcity of equipment significantly impacts project scheduling. When essential equipment isn't available per the original lead times, project durations will be extended, disrupting carefully planned schedules and putting production milestones at risk. This disruption can lower overall efficiency and productivity in mining operations, leading to a cycle of delays, increased costs, and eroded shareholder value.



Strategic Planning as a Solution

Mining companies increasingly turn to expert project management professionals to navigate these challenges. These experts employ strategic planning and management techniques to handle the complexities of equipment procurement. Here's how:



Strategic Procurement Planning: Procurement in mining isn't just about buying equipment; it's about doing so in a way that optimizes the total cost of ownership and enhances operational efficiency. Strategic procurement planning involves detailed package mapping and contracting strategies integrated into the overall Project Execution Plan and Capital Expenditures Estimate (CAPEX) during the Feasibility Study stage. By bundling procurement needs across various projects, companies can leverage economies of scale, negotiate better terms with suppliers, and reduce overhead costs.



Leveraging OEM Partnerships: Partnering with Original Equipment Manufacturers (OEMs) is another effective strategy. These partnerships offer more than just procurement; they provide innovation and value-creation opportunities around the operability and maintainability of the equipment to be considered during the design engineering development. Through OEM collaborations, companies can access cutting-edge technologies, co-create customized solutions, enjoy volume discounts and more transparent pricing, and reduce execution lead times by minimizing time-consuming contract formation and negotiation phases, all of which help mitigate cost increases and shorten delivery lead time.



Mastering Tender Management: Effective tender management is crucial for navigating the procurement landscape. From preparing Request for Proposal (RFP) documents to evaluating commercial submissions, each step requires careful attention to detail. The development of a robust and fully defined Scope of Work document, which carefully considers the package, its' battery limits, and how it will interface with all other equipment, services, and contracting packages, is critical to overall Project Execution success and requires careful planning prior to the start of procurement execution. Companies can make informed decisions, secure optimal contracts, and minimize risks by employing robust evaluation frameworks and leveraging data analytics that consider the total cost of installation and/or cost of ownership instead of purely the capital cost presented in the proposals.



Integration with Operations: Procurement planning must seamlessly integrate with operational workflows to ensure alignment with business objectives. This involves coordinating agreements, insurance provisions, warranties, and spare parts. Companies can streamline processes, enhance efficiency, and reduce disruptions by fostering collaboration between procurement and operations teams. This approach will enhance synergies with the commonality of spares, reduce the need for insurance spares, and streamline warehousing efficiencies in operations.



Crafting Strategic Supply Agreements: Strategic supply agreements are essential for laying the groundwork for successful procurement. These agreements define the terms and conditions for procuring goods and services, including negotiated terms, pricing structures, performance metrics, process guarantees, and compliance requirements. Such agreements help build resilient partnerships and mitigate supply chain risks. In some cases, they can be negotiated in principle prior to the start of project execution to reduce award timelines after tender adjudication has been completed.



Ensuring Compliance with Terms & Conditions: Meticulous oversight of contract terms and conditions is vital for ensuring compliance and mitigating risks. Regular reviews and proactive management of contractual obligations, scope of work, indemnity clauses, and dispute resolution mechanisms help safeguard organizational interests and maintain legal integrity.



Customized Standard Operating Procedures: Streamlined Standard Operating Procedures (SOPs) tailored to specific project requirements and organizational needs can drive efficiency and consistency. These SOPs define workflows, roles, responsibilities, and performance metrics, fostering compliance and optimizing process efficiencies. They help organizations respond agilely to market dynamics and maintain a competitive edge.



A Path to Success

Navigating the complexities of equipment procurement in the mining industry sounds excellent on paper, but it's often easier said than done. The challenges are real and daunting; without the right expertise, even the best-laid plans can fall short. This is where engaging with the right mining project management partner becomes crucial.

For many mining companies, partnering with a professional mining projects management firm like TMG is not just beneficial—it's essential. These partnerships bring a wealth of expertise and strategic insights that can make a significant difference. Here's how TMG can help:

First, TMG's strategic procurement and contracting approach goes beyond basic transactions. They provide detailed requirements packaging and contracting strategies, assess local capacity and capability, and bundle procurement needs across various projects to leverage economies of scale. This enables mining companies to negotiate better terms, enhance local community support and engagement, optimize inventory management, and effectively reduce overhead costs.

Next, by partnering with Original Equipment Manufacturers, TMG helps mining companies access cutting-edge technologies and innovative solutions. These partnerships offer cost advantages through volume discounts and ensure faster lead times and customized solutions tailored to specific operational needs.

Additionally, tender management is a critical procurement component, and TMG excels in this area. From developing Procurement Execution Plans and detailed Contracting Strategies with overall Package Interface matrices to preparing Request for Proposal (RFP) documents and evaluating commercial submissions, TMG's systematic and data-driven approach ensures that mining companies make informed decisions, secure optimal contracts, and minimize procurement risks.

Moreover, TMG understands that procurement planning must align seamlessly with operational workflows. They coordinate agreements, insurance provisions, warranties, and spare parts management to ensure procurement activities support and enhance operational efficiency. This integration minimizes disruptions and maximizes productivity.

Furthermore, crafting strategic supply agreements is another area in which TMG shines. These agreements define the terms and conditions for procuring goods and services, including negotiated terms, pricing structures, performance metrics, and compliance requirements. Such agreements foster resilient partnerships and mitigate supply chain risks.

Finally, customized Standard Operating Procedures (SOPs) developed by TMG drive efficiency and consistency in both project and operational procurement and supply chain functions. These SOPs are tailored to each organization's unique needs, ensuring compliance with industry standards and optimizing process efficiencies.

While the strategies and solutions outlined above are essential for overcoming equipment scarcity challenges in the mining industry, achieving tangible results requires more than good intentions. It demands the expertise and strategic approach a professional mining project management partner like TMG can provide. With TMG's comprehensive suite of services, mining companies can ensure their projects stay on track, within budget, and compliant with regulations. By partnering with TMG, mining companies can transform challenges into opportunities for operational excellence and long-term success.

Are you ready to start your journey to success?

Transform your procurement operations with TMG's strategic procurement planning services. Streamline processes, optimize costs, and drive long-term value creation for your organization. Contact us today to embark on a journey towards procurement excellence.

SPEAK WITH AN EXPERT



TMG specializes in executive and management consulting for the mining and oil and gas sectors, offering tailored oversight and strategic guidance across all project stages to ensure optimal outcomes from conception to execution.