

South Africa's mining industry

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SUSAN SHABANGU has been the Minister of Mineral Resources since May 2009, having previously served as the Deputy Minister of Minerals and Energy as well as the Deputy Minister of Safety and Security. She is a National Executive Committee member of the ruling African National Congress and is a former trade unionist and Treasurer General of the South African National Civics Association.

South Africa is the world's biggest producer of platinum, chrome, vanadium and manganese, the third-largest gold miner and the largest source of coal for European power plants. In light of this, the new Department of Mineral Resources (DMR), previously the Department of Minerals and Energy, was established by President Jacob Zuma to ensure that government has a more focused approach to the mining industry.

Mining remains the backbone of South Africa's economy and government is working closely with business and labour to realise the industry's full potential. The department's policies are aimed at achieving sustainable growth and ensuring that the country's developmental agenda is advanced. The Mineral and Petroleum Resource Development Act (MPRDA) is the main piece of legislation regulating the mining industry. In line with sound international practices, the government has committed to reducing the turn-around times for processing prospecting and mining right applications to three and six months respectively. Building on our reputation dating back more than a century, we will make South Africa a leader in the global mining industry.

Performance of sectors (coal, diamonds, PGM, gold)

South Africa's aggregated mining sales declined by 8 per cent in 2009 as a result of significantly slower demand for certain mineral commodities, together with falling prices resulting from the global financial and economic crisis. Yet the SA economy registered a contraction of less than 2 per cent, underscoring the resilience of South Africa's economy.

South Africa holds approximately 72 per cent of the world's chrome ore reserves and 88 per cent of the world's Platinum Group Metals (PGM) reserves. The deposits of manganese ore in the Northern Cape are the largest proven reserves in the world, representing some 80 per cent of the world's reserves. South Africa also has substantial reserves of other important industrial metals and minerals, including alumino-silicates, antimony, coal, fluorspar, lead, nickel, phosphates, titanium, uranium, vanadium, vermiculite, zinc and zirconium.

In 2008, the production of energy commodities amounted to 252 million tonnes (mt), a 1.3 per cent increase when compared with 249 mt produced in 2007. Coal accounted for 99 per cent of the volume while the other energy commodities accounted for just below one

per cent. Revenue generated from total sales of these commodities amounted to R76 billion. Again most of this revenue came from coal sales, which contributed R72.5 billion followed by natural gas at R3 billion and uranium at just under R1 billion. During the same year, coal contributed 24 per cent of total mineral sales.

Coal supports almost 90 per cent of electricity generation in South Africa and provides for close to a third of the country's liquid fuels through the SASOL's coal to liquids process. Coal is also used directly as fuel in steel production and indirectly as a feedstock for SASOL's petrochemical products.

South Africa's chrome ore production reached 9.7 mt in 2008, a marginal increase of 0.2 per cent from 2007, following a 30 per cent increase achieved in 2007, despite weaker demand from the ferrochrome industry. Local sales volumes dropped by 3.7 per cent to 7.1 mt. However, revenue from local sales increased by 76 per cent to R4.1 billion, due to the higher prices. Export volumes, at 762 kilotonnes, declined by 15.7 per cent in 2008 but revenue from export sales increased by 92.3 per cent to R1.3 billion due to higher prices.

Iron ore production went up 16.4 per cent to 49 mt in 2008, mainly as a result of greater demand for fine Sishen ore from Chinese mills. Export sales rose by 10.2 per cent to 32.8 mt, while local sales decreased by 9.3 per cent to 11.3 mt. The export sales value rose 73.5 per cent to R20.3 billion while the value of local sales went up 12.9 per cent to R1.97 billion. Despite an increase in total sales mass of 10 per cent, the total value of sales climbed 65.6 per cent due to higher export prices.

These two commodities (iron ore and chrome) are of critical importance for crude steel and stainless steel production. The local development of the steel value chain is dependent on iron ore, manganese, chrome and vanadium.

Contribution of mining industry to South Africa's development

The mining industry presaged the basis for economic growth of South Africa and remains the backbone of the country's economy, representing over half of the country's export earnings and contributing 18 per cent to the country's corporate tax receipts. It is a significant creator of sustainable jobs (500,000 direct and a further 500,000 indirect), represents over 30 per cent of the Johannesburg Stock Exchange (JSE) value and consumes

15 per cent of national electricity. The mining industry contributed a cumulative R196-billion (US\$24 billion) to the country's Gross Domestic Product (9.5 per cent) in 2008¹, representing a year-on-year increase of 24 per cent. The growth in gross value added (GVA) by the mining sector was essentially attributable to improved commodity prices and increased production of most commodities except gold, diamond and PGMs. In the same year, mining and quarrying contributed 9 per cent to Total Fixed Capital Formation, representing a cumulative growth in fixed capital investment in the mining sector since promulgation of the new regulatory framework in 2004.

Employment in the mining industry represents almost 3 per cent of the country's economically active population. The PGM sector is the largest employer, contributing 39 per cent to the total mining industry's labour force, while the gold and coal sectors contribute 32 per cent and 13 per cent, respectively.

In 2009, the South African economy contracted by almost 2 per cent, with the mining industry correspondingly declining by 8 per cent, due to the effects of the global financial and economic crisis, which resulted in reduced demand for mineral commodities. To this extent, the department led the establishment of the Mining Industry's Growth, Development and Employment Task Team (MIGDETT), a tripartite forum constituted by government, organised labour and business, which was established at the outset of the global economic and financial crisis to develop short-

term mitigation interventions against the vagaries of the crisis (and contain the severity of inherent job losses) and to advance recommendations to position the country's mining industry along a growth trajectory when the economic upswing returns. The department remains committed to implementing of the transformation and growth policies and strategies in the mining industry to ensure that this industry remains the cornerstone of South Africa's economy. In keeping with the extended mandate, MIGDETT is at the advanced stage of developing a strategy for sustainable growth and transformation of the country's mining industry, which will be launched at the Mining Summit scheduled to take place in March 2010 in South Africa.

Investment opportunities for foreign companies

As mentioned earlier, South Africa remains a host to considerable known reserves of mineral commodities, ranking among the top five in the world, including but not limited to: Chrome, fluorspar, titanium minerals, vanadium, nickel, PGM, uranium, phosphate rock, manganese and vanadium. There are 54 minerals being actively mined in South Africa, with prospects for exploitation of an additional two new minerals in the short to medium term. There still lies substantial potential for the discovery of other world-class deposits in areas yet to be exhaustively explored with modern exploration technology. Since the promulgation of the MPRDA in 2004, in excess of 22,000 rights applications (prospecting ►

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Photo: Sasol, mediachannelsouthafrica.com

Mining operations run by Sasol, South Africa's petrochemicals giant

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◀ and mining) have been received by the DMR, indicating the continuing interest in South Africa's exploration 'real estate'. South Africa's mining industry remains a sunrise industry in terms of opportunities for investment across the various commodities' value chains.

South Africa's offshore mineral discovery potential remains grossly under-explored, presenting the possibility for the discovery of world-class deposits. South Africa has also applied to the United Nations for the extension of its Exclusive Economic Zone further seaward, increasing the potential for offshore exploration. Additionally, the mineral beneficiation (mineral value addition) programme is a framework within which South Africa seeks to implement an orderly development of the country's mineral value chains in order to benefit from its inherent comparative and competitive advantages. The strategy seeks to facilitate further economic diversification, improve the country's productive capacity, expedite progress towards a knowledge based economy and attain incremental GDP growth in mineral value addition per capita. This framework presents a compelling value proposition for foreign companies intending to establish beneficiation programmes in South Africa as it primarily secures security of requisite mineral commodity supply.

While South Africa experienced national economic contraction of 2 per cent in 2009, the current data sets a positive outlook for economic growth, projected at more than 2.3 per cent in 2010, rising to over 3.5 per cent over the next 2 years. The global economic outlook for 2010 is also projected to be positive. The mining industry in

South Africa is well positioned to leverage the optimum benefit from the expected global economic recovery.

Sustainable Development and Skills Development

Ever since the democratic dispensation, the focus of the mining industry has been fundamentally based on the economics of sustainable development. In pursuing its policy and vision, the department embodies all three areas of sustainable development, as embedded in the provision of applicable mining regulatory framework.

The development of skills needed to optimise the exploitation of mineral resources requires an international collaborative approach to complement skills development and retention of these skills in the industry. The paucity of skills supply needed to grow the mining industry bordered on an international crisis at the height of the commodity boom, with South Africa supplying most of the developed mining jurisdictions with requisite skills in the mining industry. South Africa has established the Mining Qualifications Authority to develop and implement skills development programmes for the mining sector. A number of institutions of higher learning, including internationally recognised universities, produce high quality skills for the mining industry, although limited in quantity. The skills development sought for the mining industry remains a key priority area for the government and the people of the Republic of South Africa. **F**

¹ Mining performance statistics are sourced from "Statistics South Africa" (www.statssa.gov.za), a South African statistical authority of the Government of the Republic of South African.



Photo: Sasol, media.sasol.com

Sasolburg, Free State province: Autothermal reformer at petro-chemical giant Sasol's Sasolburg plant