



Illegal mining

The Chamber recognises that illegal mining is a critical issue that needs to be addressed, not only for the sake of the industry and the fiscus, but also in the interests of the environment, safety, health, and security of mine employees, communities and in the best interests of illegal miners themselves.

In the medium and long term, rampant illegal mining will undermine the aims of the MPRDA and the Mining Charter and will result in irreparable damage, sterilising of resources and leaving behind a costly and damaging environmental legacy.

Illegal mining has a range of negative economic, social and environmental impacts which include the following:

Economic impacts

- Costs industry and fiscus more than an estimated R20 billion a year in lost sales, taxes and royalties
- Theft of copper, electricity cables, dragline cables, diesel, and materials prejudice the economic viability of companies and pose risks to mine infrastructure
- Significant increase in security costs and costs related to unnecessary stoppages, repairs and maintenance
- Cost to state and mining companies to commission Mines Rescue Services for rescues
- Unquantifiable environmental and social costs

Social impacts

- Influx of undocumented immigrants (90% of arrested illegal miners are undocumented immigrants)
- Significant safety and health risks to illegal miners and miners at legal operations, as well as communities
- Increase in crime and illegal trade - explosives, diesel, copper cables and other equipment from mines
- Destroys the social fabric of mining communities – fear, coercion, human rights abuses, prostitution, and substance abuse
- Number of mining accidents/incidents and near-misses in recent years related to illegal mining
- Risk of interruption of electricity supply (theft of copper cables) to underground workings
- Threats to employees, booby traps, tampering with mine equipment

Environmental impacts

- Sabotaged pipelines contaminate the environment
- Illegal water usage and wastage
- Sinkholes created due to water pipeline 'spiking'
- Underground fires and explosions
- Mercury contamination of environment
- Excavation and reopening of sealed and rehabilitated shafts, with associated hazards



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2016 AREAS OF FOCUS continued

Illegal mining is not only a South African challenge and it is not an issue that has recently come to light. Indeed, references to illegal mining may be found in the archives over the past 100 years. Illegal mining is a complex issue that requires the involvement of many layers of stakeholders – including government, labour unions, the South African Police Service (SAPS) and the industry - and the solution would need to include clear objectives with thorough risk assessments.

The Chamber is of the view that until all the underlying factors contributing to crime in South Africa, including illegal mining, are addressed, the parties will be addressing only the symptoms rather than the cause. The entire legal enforcement system needs to be addressed, including policing, prosecution, immigration and border control.

No single stakeholder can address the challenge of crime in South Africa, including illegal mining, on its own – collaboration is key. The industry, individually and through the Chamber, remains committed to working with other stakeholders to address this serious challenge.

ILLEGAL MINING VS SMALL-SCALE MINING

There is a difference between illegal and small-scale mining.

Illegal mining is not regulated. The Chamber is of the view that regulated mining is in the interest of everyone particularly from a health and safety, socio-economic, environmental and human rights perspective.

Small-scale mining is encouraged under the MPRDA, and the Chamber has a special unit dedicated to support small-scale miners.

This sector is regulated – not only to ensure that there is control over the allocation of mineral resources in a way that is beneficial to South Africa and promotes transformation, but also to protect the environment, communities and employees. Indeed, current legislation was put in place exactly for this reason.

ILLEGAL MINING IS ON THE RISE

Illegal mining is on the rise in South Africa and takes place on the surface and underground at closed-off, abandoned and operating mines. Illegal mining is often organised and carried out by organised crime syndicates. Whilst individual illegal miners may act out of economic desperation, there is no doubt that illegal mining activities are directly linked to the lucrative illicit trade in precious metals and diamonds.

By the Chamber's estimation, illegal mining activities on operating mines conservatively cost the economy more than R7 billion every year, including through non-payment of taxes and royalties. But, this is likely to be an under-estimate as illegitimate activities cannot be accurately quantified.

Illegal miners, also known as *zama zamas*, risk their lives to open cemented and sealed off shafts with explosives at abandoned mines where they travel up to 3km underground to live and work for extended periods without the necessary protective gear and without regard for the impact of their activities on the environment.

Where illegal miners trespass on operating mines to do their work, they cause significant damage and losses which have a negative impact on the viability of these operations. This translates into the loss of revenue, taxes, employment opportunities, capital expenditure, exports, foreign exchange earnings and procurement generated by legal mining. Illegal miners are often heavily armed and set ambushes and booby traps for employees, security and rival groups of illegal miners.

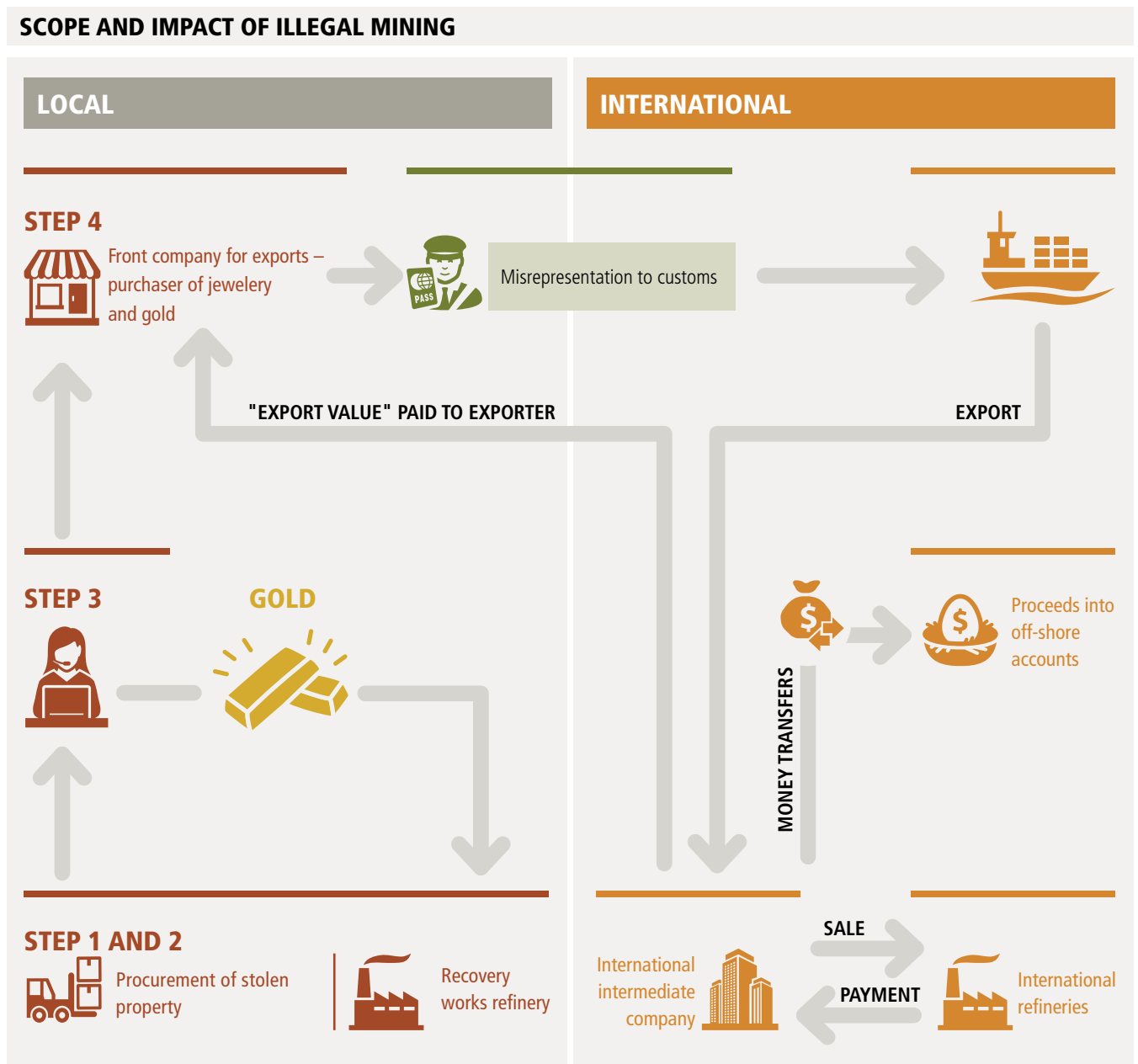


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Illegal mining continued

Mining communities suffer as they become riddled with related crime such as bribery, violence against workers and management, and child labour.

Unfortunately, the illegal miners taking these risks are exploited by the organised crime bosses and do not share in the real value of their labour.



2016 AREAS OF FOCUS continued

THE ILLEGAL MINING MARKET SYSTEM

The illegal mining market is a well-managed five-tier system:

Tier 1: Illegal miners

The underground workers, mostly illegal immigrants, do the physical mining. Many have worked in the mines previously. They use chemical substances to primitively refine the product.

Tier 2: Buyers on surface, around the mine

They often organise Tier 1 illegal miners and support them with food, protection and equipment.

Tier 3: Regional bulk buyers

Often entities with permits issued under the Precious Metals Act.

Tier 4: National and international distributors

Distribution through front companies and legitimate exporters.

Tier 5: Top international receivers

Usually through international refineries and intermediary companies.

Local police and mine security deal with levels one and two of the five-tier syndicate system and the Chamber of Mines, SAPS, National Coordinating Strategic Management Team (NCSMT) and the DMR are working to identify and deal with levels three, four and five of the syndicate system that constitute the buyer market. This work is undertaken hand-in-hand with international agencies such as the United Nations (UN) Interregional Crime and Justice Research Institute, European police, Interpol and international embassies.

Multi-stakeholder efforts, National Precious Metals Forum and Standing Committee on Security

The Chamber remains fully committed to working with all other stakeholders to address the serious challenge of illegal mining.

The Chamber has a Standing Committee on Security (SCOS) in place which provides a platform for members to deal with all issues relating to security, including theft from mines. The SCOS led to the establishment of the multi-stakeholder National Precious Metals Forum (NPMF) over a decade ago – whose functions were recently absorbed into the SCOS as a result of SAPS restructuring. The NPMF became defunct in 2014 and was replaced by the NCSMT which is chaired by the Directorate of Priority Crime Investigation. Its initiatives include:

- Establishing a precious metals finger-printing database at the SAPS forensic laboratories
- Formal agreements between the Chamber, the mining companies and the SAPS
- Determining where gold and platinum has originated from
- Creating a special investigative task force
- Investigating syndicate activity at national and international level



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Illegal mining continued

In addition, provincial multi-agency forums exist in five of the nine provinces in which the Chamber participates. The provincial multi-agency forums feed into a multi-disciplinary coordinating body which deals with illegal mining and the smuggling of precious metals and diamonds across the five syndicate levels. The forums implement provincially-based disruptive operations and measures to identify and apprehend illegal miners and provide awareness and training to the SAPS and other authorities in identifying the different forms of precious metals, platinum group metals in particular.

The Chamber has also engaged at regional and international levels to create awareness of the issue globally.

South Africa and the Russian Federation engaged in talks with the UN Interregional Crime and Justice Research Institute (UNICRI) and the United Nations Office on Drugs and Crime (UNODC) with the purpose of developing a global strategy to assist in dealing with the illegal mining phenomenon. In April 2013, South Africa tabled a resolution dealing with combating transnational organised crime and any possible links to the illicit trafficking of precious metals. The resolution was adopted by the Economic and Social Council (ECOSOC) on 25 July 2013. The resolution stressed the need to develop comprehensive, multi-faceted and coherent strategies and measures, including reactive and preventative measures, to counter the illicit trafficking of precious metals.

In its resolution 2013/38, ECOSOC mandated UNICRI to develop an international strategy to combat illicit trafficking of precious metals. Thus far, UNICRI has completed the assessment and has presented the technical report together with an International Strategy and a National Action Plan.

On 20 June 2016, the UNICRI assessment findings were presented to the Chamber of Mines Council. The Council endorsed the assessment and on 4 August 2016, UNICRI met with the CEO of the Chamber of Mines to propose a National Precious Metals Action Plan. The Chamber supported the proposal in principle.

Going forward, a meeting will be arranged with the Department of Policy Monitoring and Evaluation to develop a National Action Plan relating to illegal mining to establish, in the first instance, terms of reference for the plan and to agree on an approach to fund the model for the project.