

OP-ED

MZILA MTHENJANE: THE STATE OF THE MINING INDUSTRY
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28 February 2024: The South African mining industry, one of the few economic sectors to add jobs during 2023, is actively addressing the underlying constraints in rail, ports and electricity which have limited its ability to adjust to a downturn in commodity prices.

Mining employed 477 000 people or 4.7% of South Africa's total workforce in the third quarter of 2023, creating nearly 7 650 more jobs than the year before, while increasing its wage bill by R12 billion to R86.5 billion, supporting the lives and livelihoods of employees and their families as well as participants in the mining value chain.

Mining is an industry of enormous potential to create direct and indirect jobs, generate taxes for the benefit of society and to change the lives of employees and communities in a conducive investment and operating climate. Mining has added 21 570 jobs since 2018 despite the headwinds of the Covid-19 pandemic in 2020 and an increasingly difficult operating environment.

Last year has been a particularly tough one for the mining industry and leadership in the sector is actively engaged in stabilising the external operating environment to arrest the decline in the industry's performance and to realise growth in mining through fresh investments in exploration, mine development, mining and processing of minerals.

Commodity prices are cyclical and they are largely determined by events outside our control. Mining companies are generally able to introduce operational flexibility to adjust to short-term downturns in prices. In the current environment, where electricity is in short supply and

expensive, and rail and ports are inefficient, the options available to companies to adjust are limited. Cutting jobs is a last resort and one that companies do not take lightly.

The two hardest hit mining sectors, platinum group metals and coal, are also two of the largest in terms of jobs – 58% of the total -- and contribution to the economy, accounting for half of total primary mineral sales of R786 billion. In the case of coal, it is the dominant source of South Africa's electricity alongside the foreign exchange earnings contribution to the fiscus.

For underground mines, production is closely correlated to electricity supply from Eskom from which baseload power is essential for round-the-clock operations. Eskom last year had record high levels of load shedding, which came at a time when the price for the basket of platinum group metals (PGMs) fell sharply, leading to a one-third drop in total sales to R199 billion.

The PGM industry is the largest employer in the mining sector, accounting for 181 800 jobs. Mining companies are investing in developing additional avenues of demand for PGMs, with notable successes in hydrogen fuel cells and electrolysis plant to generate green sources of hydrogen, to secure supply and jobs in the sector.

The mining industry is well represented at the National Energy Crisis Committee (NECOM) by Minerals Council President Nolitha Fakude. NECOM was set up in July 2022 to implement the Presidential Energy Action Plan through the partnership of government, business and Eskom. Significant policy reforms are underway, which will allow and encourage private sector participation in energy.

Mining companies are at the forefront of installing energy projects since President Cyril Ramaphosa removed the licensing threshold for embedded electricity generation. Of the more than 100 private sector projects valued at R150 billion to generate 10.4GW of electricity, the mining industry accounts for 72% at about 7.5GW.

Investments in electricity projects mitigate risk in managing electricity supply and future energy costs, protecting jobs and production, and reducing exposure to carbon-based energy sources and associated taxes domestically and in consumer markets. A stable, predictable national supply of electricity is a fundamental requirement for mining, which needs affordable energy 24 hours a day.

The coal industry likewise is under pressure from a 55% fall in the dollar-based coal price since the end of 2022 and severe interruptions on the railway from Lephalale in Limpopo and Mpumalanga to the Richards Bay Coal Terminal (RBCT). Coal exports through the private terminal fell to 1992 levels of 47 million tonnes because of deteriorating rail services. Based on SARS export data, another 26 million tonnes of coal were sent to other ports, partly by road, which is more expensive and inefficient than rail, eroding profit margins for coal companies. It costs up to three times more per ton to send coal by road to a port than by train and has associated road safety hazards.

As the rail crisis deepened, the Minerals Council was at the forefront of establishing the National Logistics Crisis Committee (NLCC) where business is represented by former Exxaro Resources CEO and Minerals Council President Mxolisi Mgojo and Kumba Iron Ore CEO Mpumi Zikalala. There are encouraging developments in policy reform, namely the Freight Logistics Roadmap, which calls for greater private sector participation, and the Transnet Recovery Plan. Finance Minister Enoch Godongwana said in his budget statement that private sector participation on Transnet infrastructure would take place from May 2024.

The Minerals Council is in talks with the Department of Mineral Resources and Energy and it will engage organised labour about the constraints in the mining sector and how to sustainably address them to position the sector for investment and growth to secure and grow new jobs through enabling legislation, the implementation of modern digital mineral rights management (cadastre) system, and through structural and policy reforms in key network industries.

The once-in-a-lifetime opportunity presented to South Africa and our continent by critical minerals must be fully realised by addressing the prevailing impediments to exploration and mining. The transition to a low-carbon future will be constrained without proactive and forward-looking approaches to exploration and mine development, simultaneously enabling broader economic development for South Africa such that no one is left behind.

The Minerals Council and its members are committed to playing an active and constructive role in addressing the challenges confronting the mining industry to unlock its full potential and show why #MiningMatters to employees, communities, society and the world.

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