

## **MEDIA STATEMENT**

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### **THE MINERALS COUNCIL SOUTH AFRICA WELCOMES THE 2022 SONA ADDRESS AND ITS COMMITMENTS TO STIMULATE THE ECONOMY, BUT URGES SPEEDY IMPLEMENTATION TO AVERT AN ECONOMIC CRISIS**

**Johannesburg, 10 February 2022.** President Cyril Ramaphosa's State of the Nation Address 2022 outlined measures to address the key challenges to the economy that the Minerals Council South Africa has identified as obstacles to investment, inclusive growth, and job creation, but, critically, we need urgent, tangible action from the state to enact these strategies.

The Minerals Council welcomed the frank assessment of the state of South Africa's economy by President Ramaphosa during his sixth State of the Nation Address, and the wide-ranging measures he unveiled to bring private participation into the generation of electricity, onto the railways, and into the ports to make the provision of these services more productive and able to deliver sustainably reliably.

The appointment of Siphoniso Nkomo, a former president of the then-Chamber of Mines, to head a team in the office of the presidency to cut red tape in government departments is a vitally important appointment for removing unnecessarily complicated hurdles that have held up billions of rands worth of investments.

There are more than 4,000 mining and prospecting rights within the Department of Mineral Resources and Energy awaiting approval. Minerals Council members have R30 billion in approved capital projects that could proceed quickly if these outstanding prospecting, mining, and related licenses are resolved quickly.

"We need to move from theory to practice and focus on the issues that will make a real difference right now. We have run out of time to keep doing the same things that simply have not worked and which have in fact pushed us into this economic crisis," says Minerals Council CEO Roger Baxter.

"We cannot have a business-as-usual approach. We must have a structural break and do things completely differently to get growth back to 5% per annum. We need the government to completely change its view of how investments work. It must move as quickly as possible on the critical issues President Ramaphosa has identified," he says.



President Cyril Ramaphosa's acknowledgment that the private sector was critical to stimulate inclusive growth, address unemployment, poverty and unemployment opens the door for partnerships with the state to reverse the economic slump the government cannot address on its own.

"We must get more people into productive employment. The government's public work solutions President Ramaphosa spoke about are not the answer. They give people hope, but we need people in productive employment in the private sector. The government is not the long-term provider of jobs. They should be the chief enabler and the private sector the chief doer," says Baxter.

An example of the private sector's ability to assist the government is the mining sector's full and partial Covid-19 vaccination of 74% of its 450,000 employees with the assistance of the Department of Health.

The miners of iron ore, coal, chrome, and manganese have experienced increasingly severe disruptions to their export logistics because of the inability of Transnet to provide a reliable rail and port service due to rampant crime on its railways and unavailability of locomotives. The Minerals Council estimates miners of these bulk commodities experienced an opportunity cost of at least R35 billion in lost exports in 2021.

Problems at Richards Bay have resulted in chrome exporters sending their products by road to Mozambique's Maputo harbour. Since 2019, the value of South African chrome exported through Maputo is R2.9 billion, which means less revenue for Richards Bay and its owner Transnet Port Terminals. Ferrochrome and coal exports are also increasingly being sent via Maputo because of the inefficiencies of Transnet rail and ports.

President Ramaphosa's comments about bringing private investors into the Durban and Ngqura container terminals and private train operators on the container railway line between Durban and Johannesburg is a step in the right direction, but for the mining industry the railways and ports servicing companies exporting bulk minerals need urgent attention and private sector participation to deliver efficiencies and productivity.

Minerals Council member companies have a pipeline of 3,900MW (3.9GW) of potential renewable energy projects worth more than R60 billion that would, when implemented, substantially contribute to bridging the large country electricity supply deficit, diversify the country's supply, reduce the sector's carbon footprint, and stabilise costs. Bureaucratic and red tape delays have meant these projects cannot assist in easing South Africa's energy deficit. An unbundling of Eskom by end-2022 is a key structural reform, while amendments to the Energy Regulation Act to create a competitive electricity generation market and the

establishment of an independent state-owned electricity transmission company underpins that reform.

One of the most pressing problems the government must address immediately is crime, which has destroyed the country's rail infrastructure, damaged investor confidence and has affected lives and livelihoods across the country.

President Ramaphosa's commitment to expedite legal action against those named in the Zondo State Capture reports, and the inclusion of the private sector to assist in these actions, will send a clear message to all South Africans about the government's bona fides in ending corruption if guilty high-level politicians and business people are prosecuted and jailed.

President Ramaphosa's commitment of deploying specialist units to tackle criminal gangs - known as procurement or construction mafia - disrupting mines and other areas of the economy needs to bear fruit, while his promise of leadership changes of various security agencies to improve the fight against crime is long overdue.

"We will apply our resources, our capability, to working in partnership with the government on an inclusive growth strategy, and on initiatives like the development of a National Security Strategy to combat crime. Crime is a pervasive issue that affects everyone, not just the mining sector. If we don't deal with crime, particularly the criminal syndicates and construction/procurement mafia, it will continue to have material impacts on long-term investment sentiment," says Baxter.

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