

MEDIA STATEMENT

SOUTH AFRICA'S INCLUSION IN FRASER INSTITUTE'S TEN LEAST ATTRACTIVE MINING JURISDICTIONS IS AN ALARMING WAKEUP CALL THAT WE ARE MOVING IN THE WRONG DIRECTION

Johannesburg, 13 April. South Africa's ranking for the first time in the world's ten least attractive mining destinations in the latest Fraser Institute's Annual Survey of Mining Companies 2021 is deeply disappointing, and it serves as a warning that we are headed in the wrong direction when it comes to attracting investment to the country's resources sector.

The Fraser Institute's annual survey ranks countries' attractiveness in terms of policy, mineral potential and other metrics based on responses from companies operating and exploring in these mining jurisdictions to come up with a report card that governments can use to assess whether their policies are attracting or driving away investment.

South Africa is slipping sharply down the ranks when measured in the Investment Attractiveness Index, falling to 75 out of the 84 jurisdictions surveyed. This compares to 60th out of 77 in 2020 and 40th out of 76 in the previous year. The Investment Attractiveness Index is weighted 40% by policy and 60% by mineral potential.

South Africa's ranking in the 2021 Investment Attractiveness Index, which is a policy and mineral potential metric, is the worst since 2009. South Africa has consistently been in the bottom half of the rankings since then, but this is the first time it has fallen into the ten least attractive mining destinations.

"This is a deeply disappointing reflection of the state of mining in South Africa. It is worrying that the trend remains downwards rather than stabilising or improving. We must revitalise our efforts to address the underlying challenges informing this trend," says Minerals Council CEO Roger Baxter.

"We are working closely with Minister Gwede Mantashe, his officials in the Department of Mineral Resources and Energy, other ministers, and the Presidency to address the many challenges mining companies are facing, but we are not gaining the traction or urgency we'd like to see in resolving these challenges," he says.



South Africa ranks 12 out of 15 African jurisdictions in the Investment Attractiveness Index. In 2020, South Africa ranked 11 out of 13.

South Africa ranks 20 from bottom out of 84 jurisdictions in the 2021 Policy Perception Index compared to being in 12th from the bottom of 77 jurisdictions in 2020. The index measures perceptions of onerous regulations, taxation levels and the quality of infrastructure.

The backlog of more than 4,000 mining and prospecting rights as well as mineral right transfer applications within the department is of major concern to the Minerals Council as is the slow progress to replace the failed SAMRAD cadastral system with a modern, transparent, corruption-free, online system. Both these issues are curtailing much-needed investment in exploration and the development of a junior mining sector.

The Minerals Council has welcomed the certainty brought by the High Court judgment in September 2021 that the Mining Charter is a policy rather than regulatory document, that the continuing consequences of previous black economic empowerment deals should be recognised and that the specific provisions around procurement in the document, should be removed. The Minerals Council and its members remain committed to transformation of the mining industry and to go beyond the provisions in the Charter.

The Minerals Council and its bulk minerals members are actively engaging Transnet about the regression in railway capacity and productivity at key harbours. We are also in talks with Cabinet Ministers to address these constraints, which include a lack of locomotive spares, and crime on the rail network that is curtailing train movements.

The bulk mineral miners lost revenue of R35 billion in 2021 due to Transnet not meeting targeted rail movements, while the opportunity cost of Transnet not matching the capacity on its rail network amounted to R50 billion, of which about a third would have flowed into the fiscus in taxes and royalties.

The departure of Director General Thabo Mokoena from the DMRE presents an opportunity to inject fresh thinking into the department to revitalise our relationship with the regulator. The Minerals Council worked closely with Mr Mokoena to address issues affecting the mining industry and we look forward to welcoming the new DG and hitting the reset button for the industry.

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