

## **MEDIA STATEMENT**

---

### **MINERALS COUNCIL SOUTH AFRICA APPLAUDS CONTINUED FISCAL CONSOLIDATION AND CONDITIONAL FINANCIAL SUPPORT OF KEY STATE-OWNED ENTITIES**

**Johannesburg, 26 October 2022.** The Minerals Council South Africa welcomes the Government's continued resolve for fiscal consolidation enabled by budget overruns, its doubling of capital expenditure, and its highly conditional financial support of key state-owned entities that are constraining economic growth.

There was clear recognition in the Medium-Term Budget Policy Speech delivered by Finance Minister Enoch Godongwana on Wednesday of the extensive damage caused to state-owned entities during years of corruption and mismanagement, and which are now having severe negative consequences for the entire economy. He also announced progress in designing a framework for the evaluation of the continued existence of state-owned enterprises.

Strict conditions would apply to the future funding provided to Transnet, Eskom, Denel and other state-owned entities, a decision strongly endorsed by the Minerals Council, which has noted the enormous amounts of money injected into government companies with very little to show for it.

The gross tax revenue overrun for the 2022/23 financial year was revised upward by R83.5 billion, with the financial, manufacturing and mining sector royalties providing improved corporate income tax.

A R2.9 billion cash injection for Transnet to return idled locomotives to service and a further R2.9 billion to repair flood damage in eThekweni will address two areas of concern within the rail and ports state-owned company. Transnet has said it has a backlog in maintenance of 300 locomotives.

However, the Minerals Council remains concerned that there was no mention of Richards Bay, which is a major bottleneck for exports of chrome, ferrochrome and magnetite along with other exported and imported products. Transnet is lagging behind rail delivery targets for bulk minerals. The Minerals Council estimates an opportunity cost of R50 billion for the industry



this year when actual deliveries are measured against target. In 2021, the industry lost R35 billion using the same metric.

The Minerals Council is disappointed that there is still no firm government decision to increase private-sector access to Transnet's rail and port infrastructure, particularly on the bulk mineral export corridors, outside the limited access the Government has already earmarked. Private sector participation in rail and port infrastructure is key to unlocking an estimated R151 billion of mineral exports.

Minister Godongwana said the Government would take between a third and two thirds of electricity monopoly Eskom's R400 billion debt under strict conditions and an independent review of Eskom's coal-fired power plants. This will give Eskom increased flexibility to be unbundled into its three constituent parts and to focus on plant maintenance of its aged fleet of power plants and capital investment which is vital because of the continued disruptions to electricity supply for the country.

The R3.4 billion allocated to Denel, the state-owned military equipment maker, is important for the mining industry because the company supplies critical chemicals needed for security and explosives used in blasting. Its stabilisation is critical for sustainable mining operations.

A doubling of government infrastructure spending to R112.5 billion by 2025/26 to rehabilitate and build new roads, bridges, and other infrastructure is important for economic growth and should address the average annual contraction in gross fixed capital formation of 4% between 2016 and 2020 from the R796 billion peak in 2015.

It is disappointing that government is resolute to increase carbon taxes steeply after 2023, as announced earlier. However, a paper on tax-free allocations to be published in 2023 is eagerly awaited, as mining, which is a low carbon emitter, will simply experience higher tax costs without being able to cut emissions much further. Most self-generation projects will entail renewable energy sources though. Mining companies have a pipeline of 6.5GW of renewable energy projects worth more than R100 billion to reduce their reliance on Eskom's carbon-heavy electricity supply.

Government's strong resolve to fund increased policing and security to curb crime, is strongly supported. The mining sector suffers from the disruptions of public infrastructure theft, criminals attacking the transportation routes for exports and mining installations, as well as the prevalence of illegal mining.

**For further queries:**

Allan Seccombe

Head Communications

Tel: 064 650 4636

Email: [aseccombe@mineralscouncil.org.za](mailto:aseccombe@mineralscouncil.org.za)

Web: [www.mineralscouncil.org.za](http://www.mineralscouncil.org.za)