

State Intervention in the Minerals Sector *SIMS*

Study commissioned by the ANC, 2011

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***NOTE: This ppt does not reflect the
views of the SIMS Team nor the ANC!***

SIMS ToR

To carry out “...an in-depth study on how best to leverage our mineral wealth to achieve our key strategic goal of placing our economy on to a new job-creating and more equitable growth path”. “This will be achieved through evaluating the forms of state interventions by ‘developmental states’; including through nationalisation, and evaluating other factors influencing such interventions in the context of maximising the growth, development and employment potential embedded in mineral assets”.

“This will be complemented by an identification and critical evaluation of current and previous experiences (case studies) and options for the likely future development of instruments of state intervention, in selected countries:

Latin America (Brazil, Chile and Venezuela);

Africa (Botswana, Namibia and Zambia);

Asia (China and Malaysia);

OECD (Norway; Finland, Sweden and Australia)

In the beginning...

History of Mining in Southern Africa

Earliest use of minerals - *Homo habilis* (Sterkfontein and Kromdraai, 1.7 - 2 million years BP)



Oldowan chopper cores and flake tool, Olduvai Gorge, Tanzania

Earliest recorded "quarrying" by hominids



Engraved plaque of ochre (hematite) from Blombos Cave (Cape Province), 75 000 years BP

The earliest known example of symbolic art?

The first human "writing"?

Recent discovery. Heat treatment of rock to harden for the making of microlith tools: 80 -150 000 years BP, Pinnacle Point- *The first human heat treatment*

History of Mining in Southern Africa

Underground ochre mine, Lion Cavern, Ngwenya, Swaziland,
20 000 - 43 000 years BP (Middle Stone Age)



*The world's first
underground mine
(San people)!*

Iron copper and tin mining and smelting, from c. 200 AD



Venda-type iron
smelting furnace,
1888. Traditional
product till ~1950's
*For axe heads, hoes,
arrow heads,
assegais, etc.*

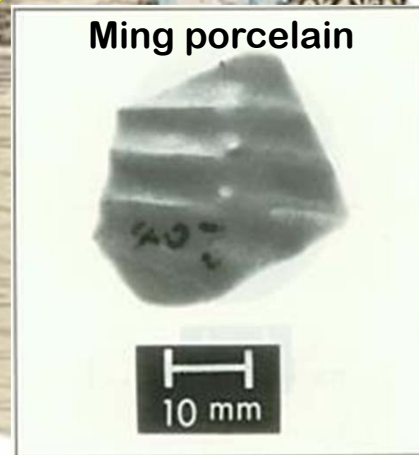
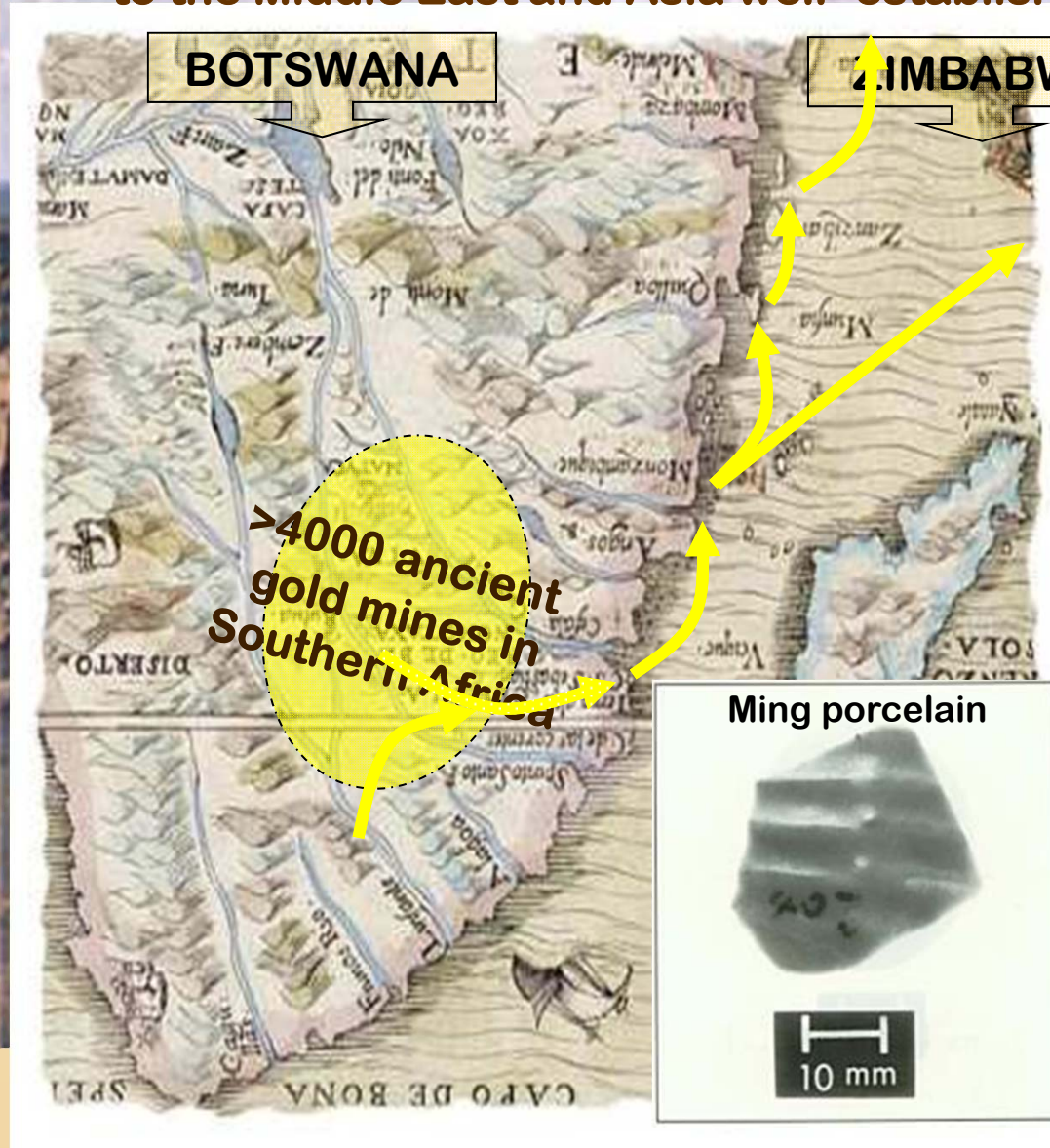


1000's of smelting sites across southern Africa!



History of Mining in Southern Africa

Mapungubwe, c. 1220 -1270: *Gold* trade via the eastern seaboard to the Middle East and Asia well-established by c. 900 AD



History of Mining in Southern Africa

Colonial period:

Alienation of land and minerals

- Mining integrated into European economy (export-oriented)
- Local entrepreneurs excluded from the industry except as labour
- Racial exploitation intensified under “apartheid”
- Destruction of pre-colonial economic systems to supply mining labour through land theft, migrant labour system, pass laws and police state.
- Huge mining profits!





Liberation 1994

Minerals for development of all South Africans?

ANC Resources Policy

- **The Freedom Charter 1955:** *“The national wealth of our country, the heritage of all South Africans, shall be restored to the people; the mineral wealth beneath the soil, the banks and monopoly industry shall be transferred to the ownership of the people as a whole”.*
- **“Ready to Govern” 1992 :** *“The mineral wealth beneath the soil is the national heritage of all South Africans, including future generations. As a diminishing resource it should be used with due regard to socio-economic needs and environmental conservation. The ANC will, in consultation with unions and employers, introduce a mining strategy which will ... where appropriate, involve public ownership and joint ventures. Policies will be developed to integrate the mining industry with other sectors of the economy by encouraging mineral beneficiation and the creation of a world class mining and mineral processing capital goods industry.”*

ANC Resources Policy

- **The RDP 1994:** “..specific (RDP) policies aim to expand the competitive advantage already enjoyed by the mining and capital and energy-intensive mineral processing and chemical industries that lie at the core of the economy and which provide the bulk of the country's foreign exchange” In addition the “RDP must strengthen and broaden upstream and downstream linkages between the burgeoning mineral-based industries and other sub-sectors of industry. On pricing of intermediate inputs: “Where conglomerate control impedes the objectives, anti-trust policies will be invoked”
- **“Draft Mineral & Energy Policy” 1994:** Comprehensive policy options.
- **Polokwane 2007:** “The use of natural resources, ...in a manner that promotes the sustainability and development of local communities and also realises the economic and social needs of the whole nation...”
“Our programme must also deepen the linkages of the mineral sector to the national economy through beneficiation of these resources and creating supplier and service industries around the minerals sector.”
“The developmental state should maintain its strategic role in shaping the key sectors of the economy, including the mineral and energy complex and the national transport and logistics system.
“...ensure that our national resource endowments, including land, water, minerals and marine resources are exploited to effectively maximise the growth, development and employment potential embedded in such national assets, and not purely for profit maximization.”



New Growth Path (NGP) 2010

- ***“Accelerating exploitation of mineral reserves by ensuring an effective review of the minerals rights regime, lowering the cost of critical inputs including logistics and skills in order to stimulate private investment in the mining sector, and setting up a state-owned mining company that would co-exist with a strong private mining sector and that promotes beneficiation, as well as greater utilisation of the mineral resource base of the country for developmental purposes, including potentially through a sovereign wealth fund.”***
- ***“Refocusing the beneficiation strategy to support fabrication (stage 4) (rather than only smelting and refining, which are both capital and energy intensive), including stronger measures to address uncompetitive pricing of intermediate inputs, such as where appropriate, export taxes on selected mineral products linked to clear industrial strategies.”***
- **Sovereign wealth fund (above) NGP floats the idea of an “African development fund”:** ***“Such a fund [will] promote investment in the region. At the same time, it [will] function as a sovereign wealth fund that invests accumulated foreign reserves in productive projects with a higher yield than investment in developed-country bonds.”***

Resource Rent
Tax (RRT)

Sovereign
Wealth Fund

African Dev
Fund

Regional
Infrastructure



Key Themes

- *Minerals in the ground belong to the people as a whole;*
- *Exploitation of minerals must optimise the developmental impact, especially job creation, through the realisation of all the potential linkages;*
- *Mining should create safe and decent work;*
- *Minerals should not compromise local communities nor the environment;*
- *Minerals should contribute to the establishment of a sustainable Democratic Developmental State;*



South Africa's Natural Resources

Our natural (static) comparative advantage lies in its natural resources endowment as well as potential, particularly:

- *Minerals & energy;*
- *Agriculture & Animal husbandry;*
- *Forestry & Biomass;*
- *Water;*
- *Fisheries & Aquaculture; and*
- *Tourism (natural endowment-based).*

However, of these, only our **mineral and tourism** resources could be considered as “**exceptional**” in global terms:

- Our **energy** resources are predominantly problematic as they are mainly based on fossil fuels (coal, CBM, gas), though there could be long-term solar potential with new technologies.
- We are a **water scarce** country with increasing water imports, which also curtails its agricultural & animal husbandry potential (2/3 of SA gets less than 500mm/an = minimum for dry-land farming).
- Natural harvesting of **sea fisheries** has peaked, but its ~2500km coastline could give a relative mariculture advantage (still nascent).
- Natural harvesting of **forests** is in decline and plantation forestry has reached its limit, if not over-reached it, in terms of water consumption.
- Our **tourism** potential is constrained by the long distances to the main markets.

South Africa is well-endowed with mineral resources

South Africa's Mineral Reserves, World Ranking, 2009 Production & Nominal Life (assuming no further reserves) at 2009 Extraction Rates

Mineral		RESERVES			PRODUCTION 2009			LIFE
		Mass	%World	Rank	Mass	%World	Rank	Years
Alumino-silicates	Mt	51	*	*	0.265	60.2	1	192
Antimony	kt	350	16.7	3	3	1.6	3	117
Chromium Ore	Mt	5500	72.4	1	6.762	*	1	813
Coal	Mt	30408	7.4	6	250.6	3.6	7	121
Copper	Mt	13	2.4	6	0.089	*	*	146
Fluorspar	Mt	80	17	2	0.18	3.5	5	444
Gold	t	6000	12.7	1	197	7.8	5	30
Iron Ore	Mt	1500	0.8	13	55.4	3.5	6	27
<i>Iron Ore - incl. BC</i>	<i>Mt</i>	<i>25000</i>	<i>~10</i>	<i>*</i>	<i>55.4</i>	<i>3.5</i>	<i>6</i>	<i>451</i>
Lead	kt	3000	2.1	6	49	1.2	10	61
Manganese Ore	Mt	4000	80	1	4.576	17.1	2	874
Nickel	Mt	3.7	5.2	8	0.0346	2.4	12	107
PGMs	t	70000	87.7	1	271	58.7	1	258
Phosphate Rock	Mt	2500	5.3	4	2.237	1.4	11	1118
Titanium Minerals	Mt	71	9.8	2	1.1	19.2	2	65
<i>Titanium- incl. BC</i>	<i>Mt</i>	<i>400</i>	<i>65</i>	<i>1</i>	<i>1.1</i>	<i>19.2</i>	<i>2</i>	<i>364</i>
Uranium	kt	435	8	4	0.623	1.3	10	698
Vanadium	kt	12000	32	2	11.6	25.4	1	1034
Vermiculite	Mt	80	40	2	0.1943	35	1	412
Zinc	Mt	15	3.3	8	0.029	0.2	25	517
Zirconium	Mt	14	25	2	0.395	32	2	35

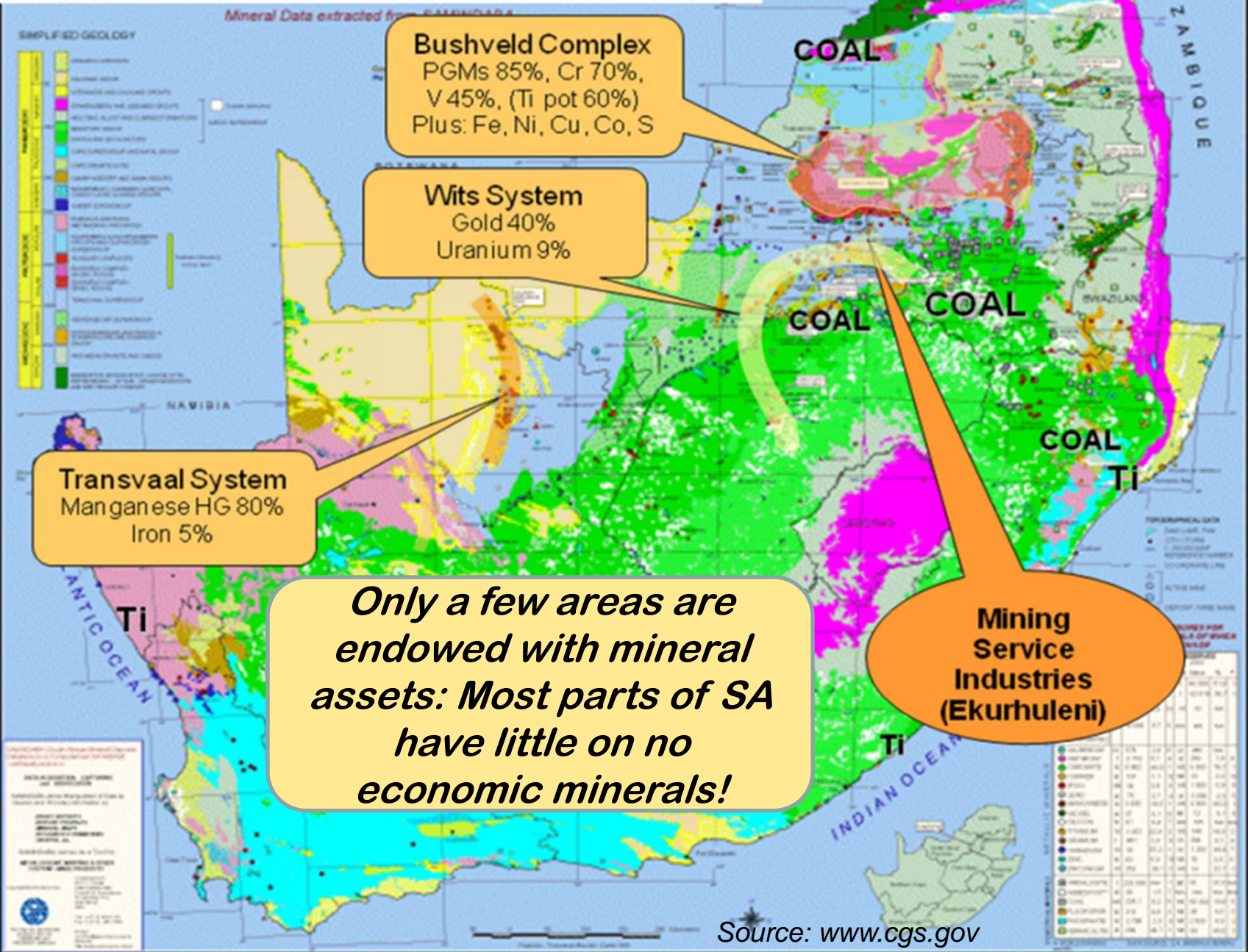
Source: SAMI 2009/2010, DMR 2010; and Wilson & Anhaeusser 1998: "The Mineral Resources of South Africa", CGS Pretoria (for BC- Bushveld Complex)



Main Formations & Bodies

- **The Witwatersrand Basin:** Gold (>90% of current production), as well as considerable resources of uranium, silver, pyrite & osmiridium;
- **The Bushveld Complex:** PGMs with associated copper, nickel & cobalt. Also, chromium (chromite seams) and vanadium & titanium bearing magnetite (iron ore) seams, as well as industrial minerals, such as fluorspar & andalusite;
- **The Transvaal Supergroup:** Large resources of manganese & iron ore;
- **The Karoo Basin:** Considerable bituminous coal & anthracite resources;
- **The Phalaborwa Igneous Complex:** Copper, phosphate, titanium, vermiculite, feldspar & zirconium;
- **Kimberlite pipes:** Diamonds (also occur in secondary alluvial, fluvial and marine deposits);
- **Heavy mineral sands:** Titanium (ilmenite & rutile), zircon and magnetite, mainly in coastal paleo-dunes;
- **Bushmanland Group:** lead-zinc with copper & silver.

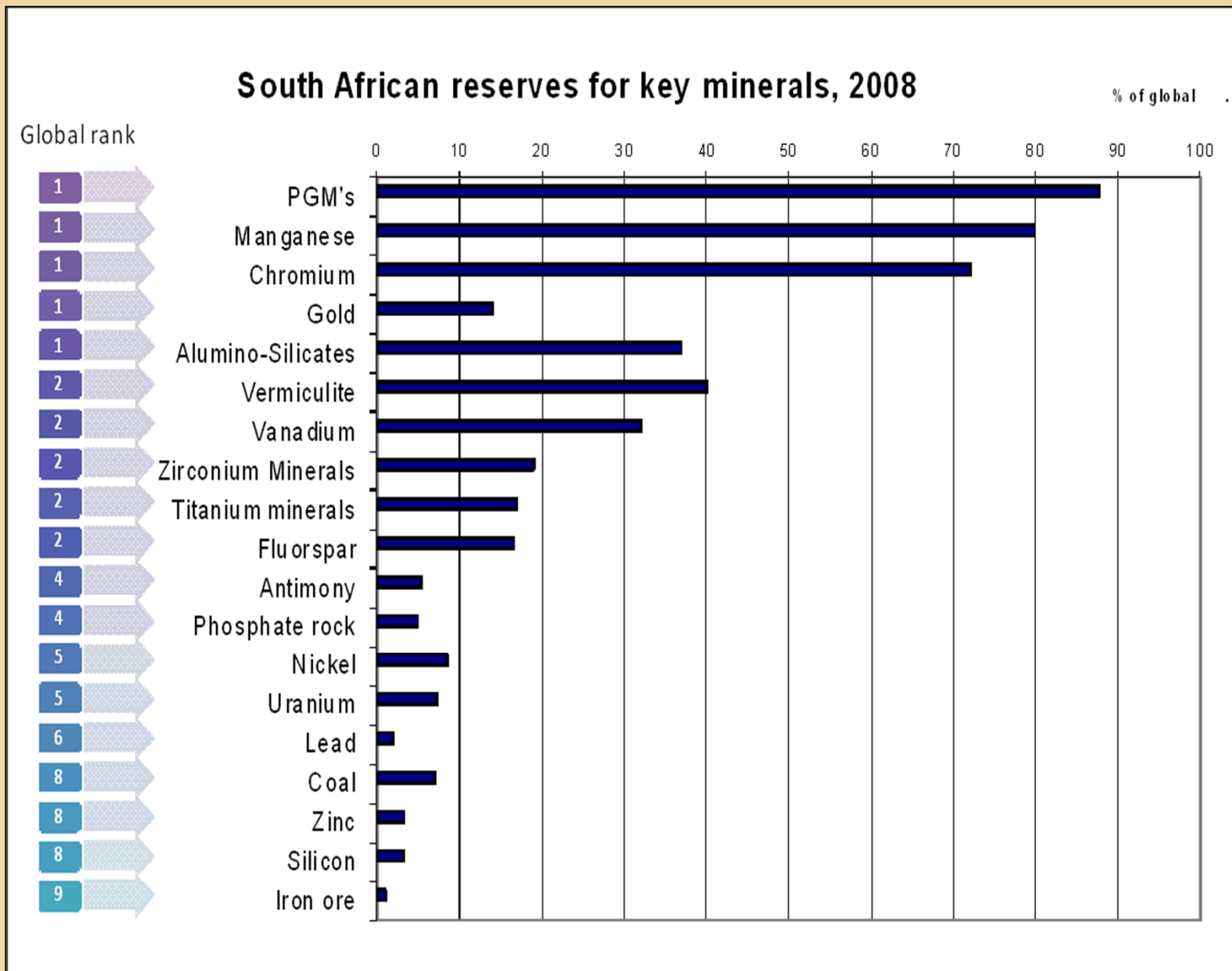
SA Geology & Minerals



Only a few areas are endowed with mineral assets: Most parts of SA have little on no economic minerals!



Share of Global mineral resources!



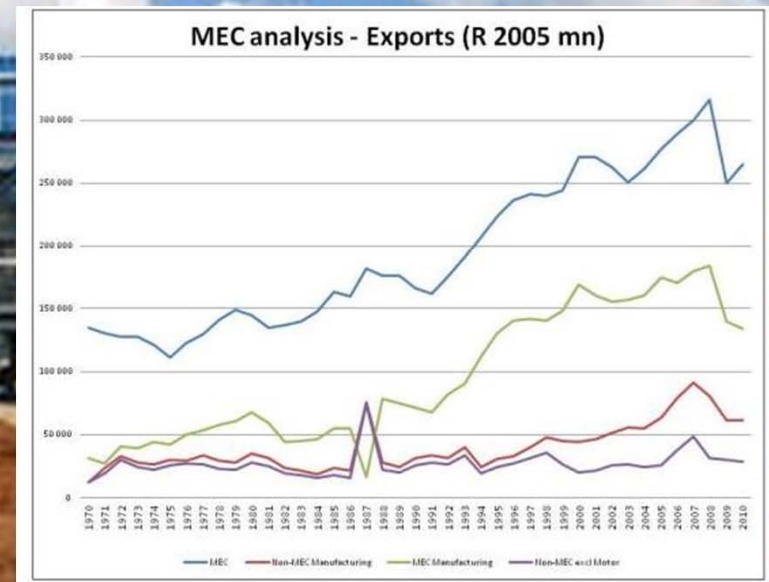
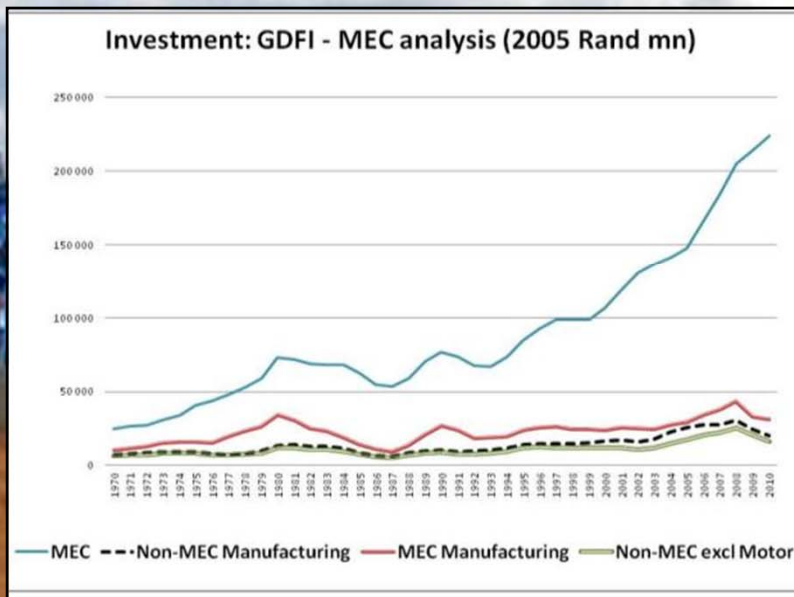
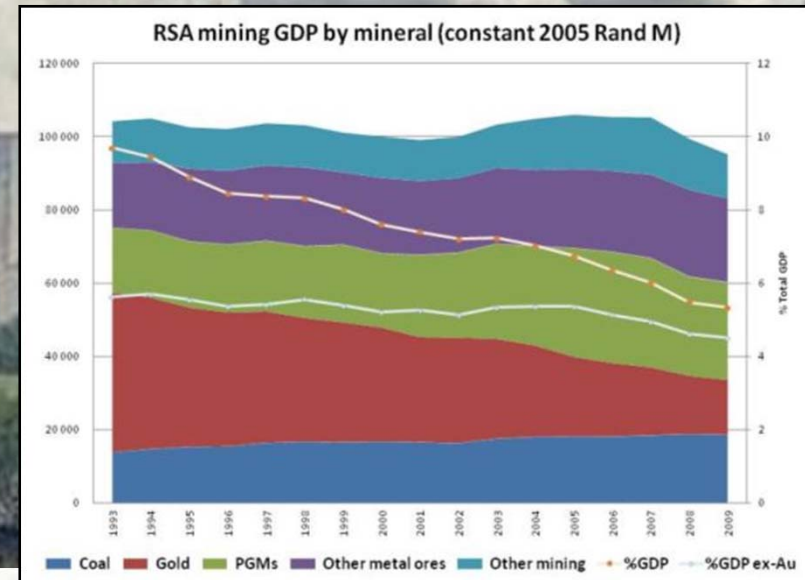
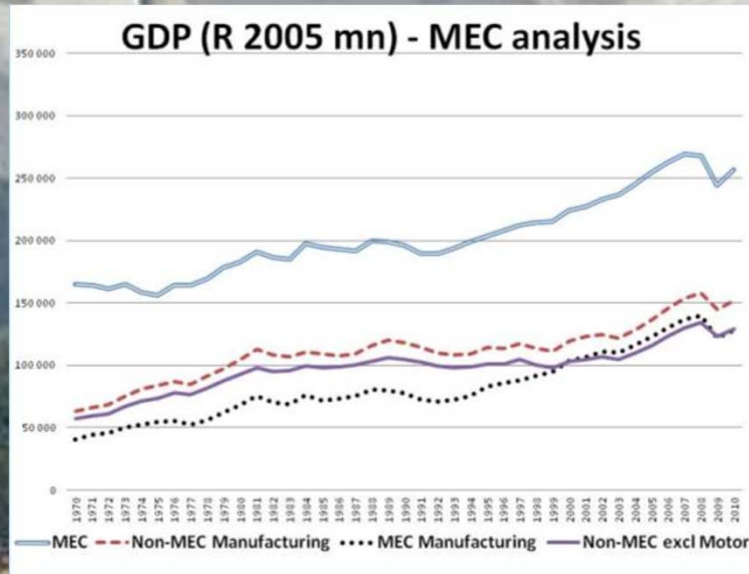
Source: CoM 2011



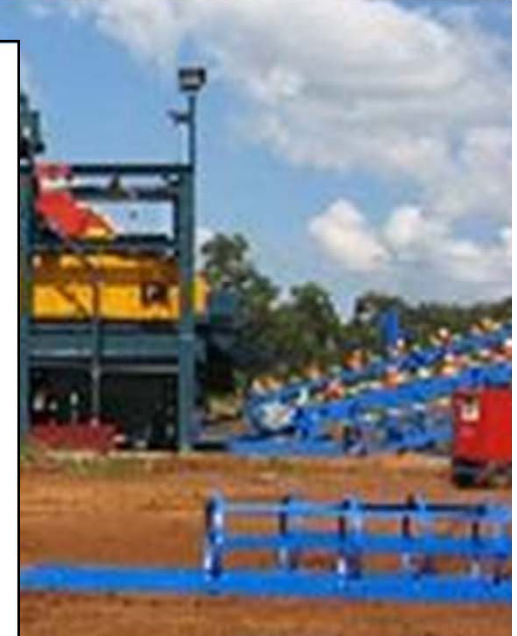
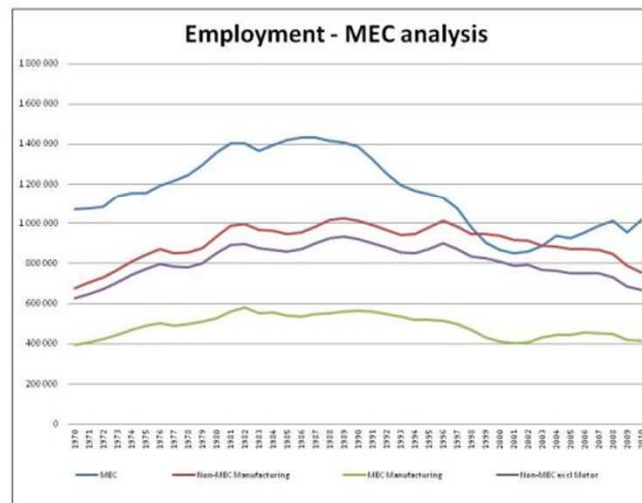
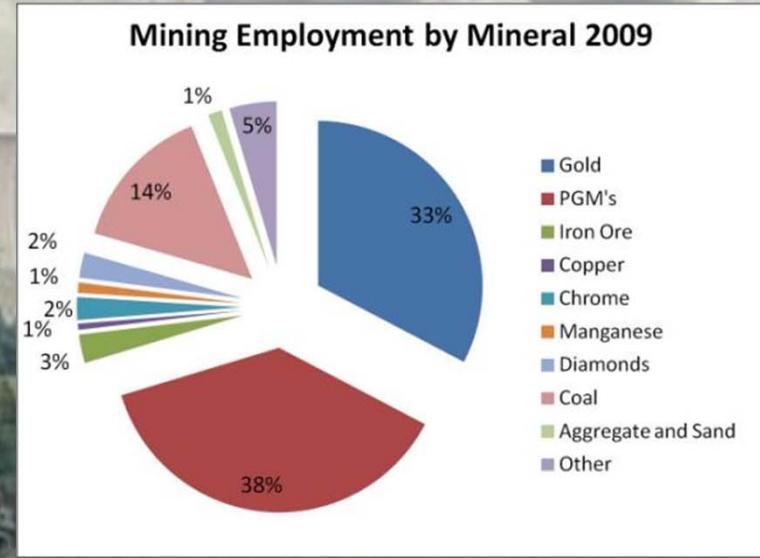
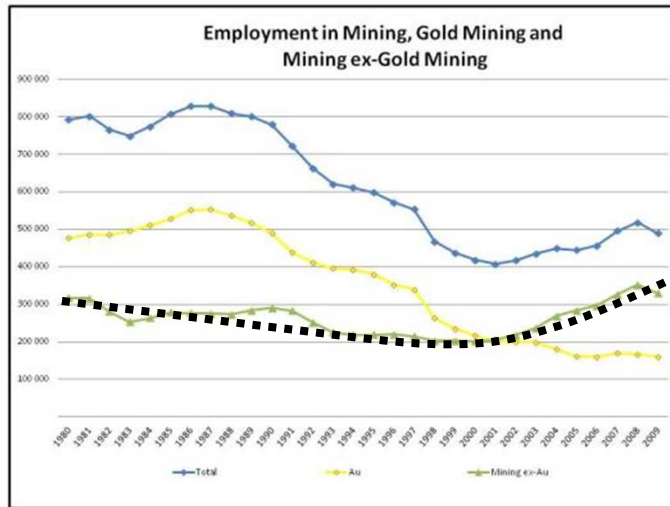
The Minerals-Energy-Complex (MEC)

- From the end of the 19th Century the mining conglomerates (mining houses) developed the core of our economy, the *Minerals Energy Complex* (MEC).
- Viewed as a set of economic sub-sectors, the MEC consists of mining, certain sub-sectors of mineral-based “manufacturing” closely linked to mining & energy-intensive, the electricity sector and the transport and storage sector.
- Since World War II the MEC has dominated our economy and is by far the largest contributor to our GDP, exports, capital formation and employment.
- Similar resource-energy complexes underpinned the early development of several of the countries examined in this study, such as the Nordics (forestry, minerals and energy) & Brazil (currently).

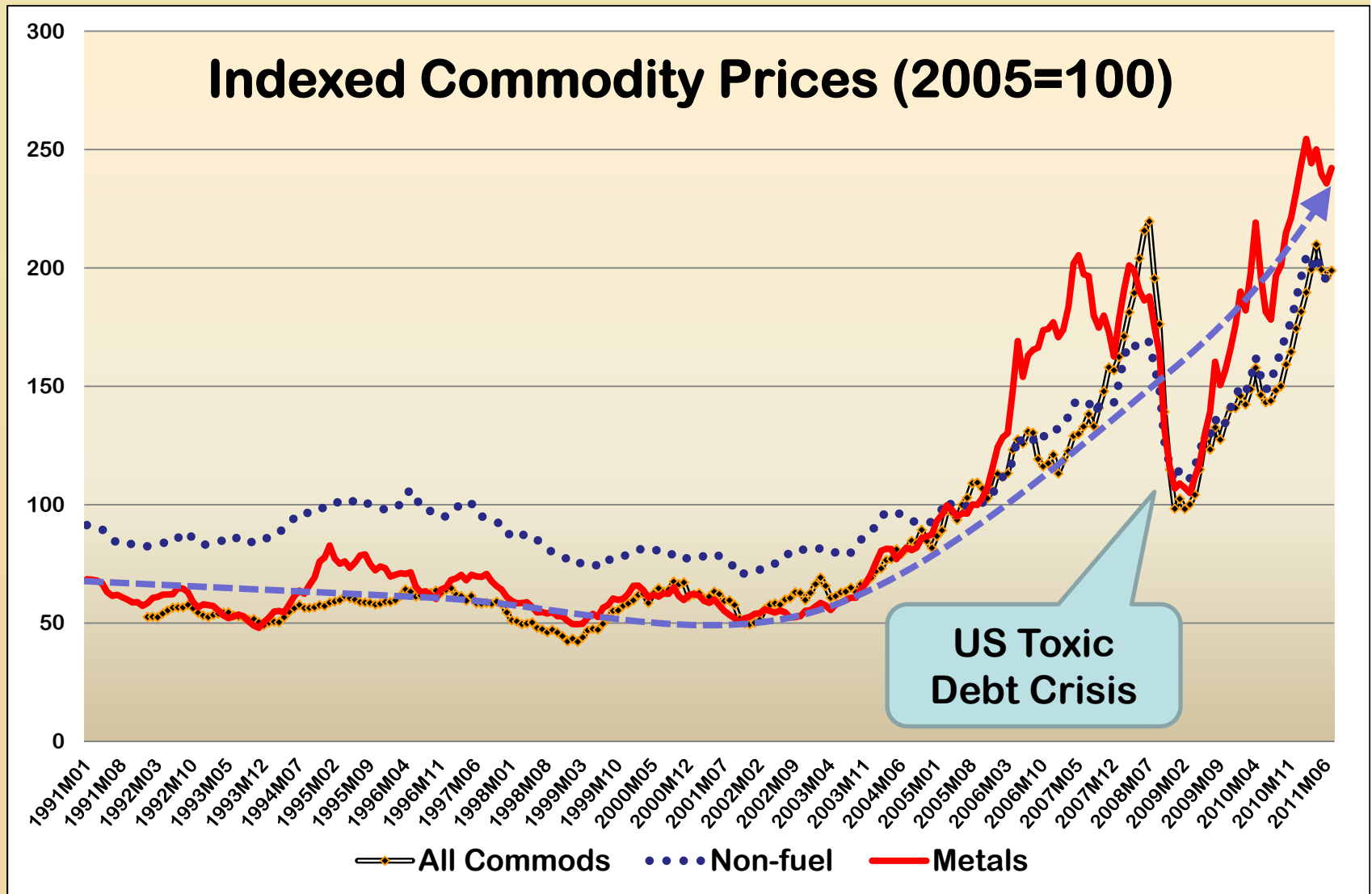
Mineral (MEC) Contribution to SA Economy



Minerals (MEC) Employment

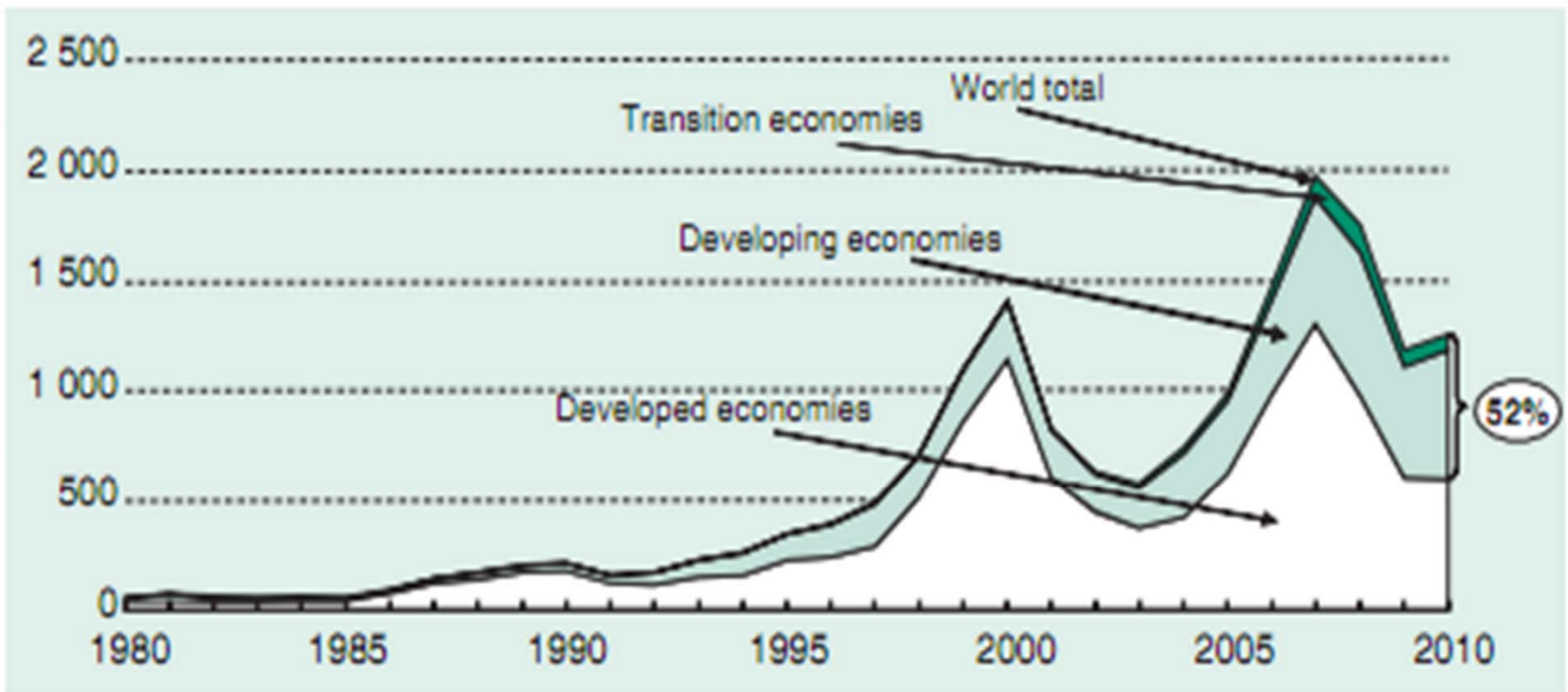


The Asian Boom has dramatically increased demand and mineral prices! (collapsed in 2009, but recovered 2010))



High Prices have led to an increase in investment (FDI), especially in Developing Countries

Figure I.3. FDI inflows, global and by group of economies, 1980–2010
(Billions of dollars)



Source: UNCTAD, based on annex table I.1 and the FDI/TNC database (www.unctad.org/fdistatistics).

Source: UNCTAD WIR 2011 p3

Mineral Intensity of Global Growth (Mass consumed per unit of global GDP)

High intensity, sellers market:
Strong demand/prices
Growth & development
> State control (SOEs)
& share of resource rents

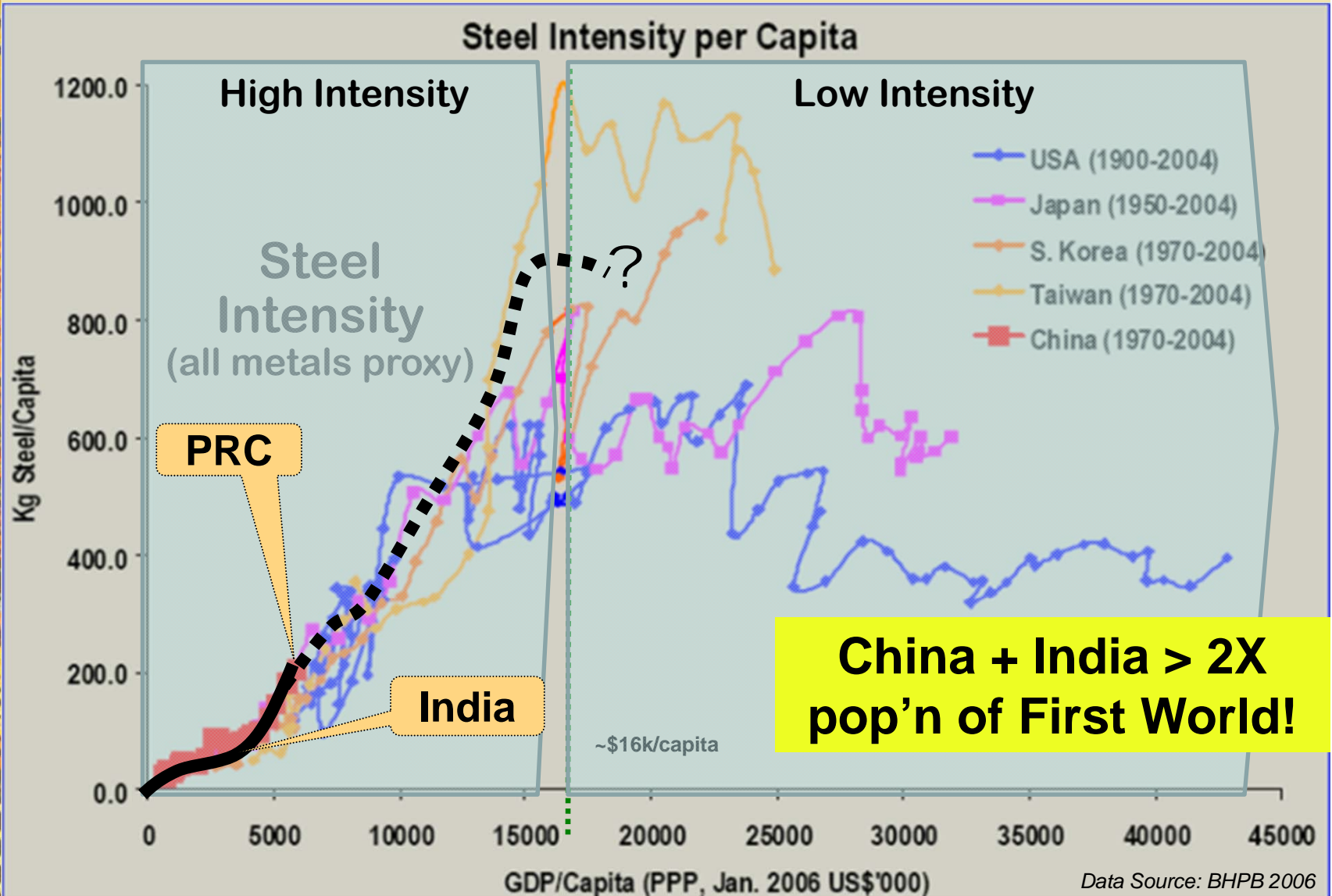
High intensity, sellers market:
Strong demand/prices
Growth & development
> State control & share
of resource rents

Low intensity, buyers market:
Weak demand/prices
stagnation & instability
Privatisations
widespread, Low tax
(rent share)



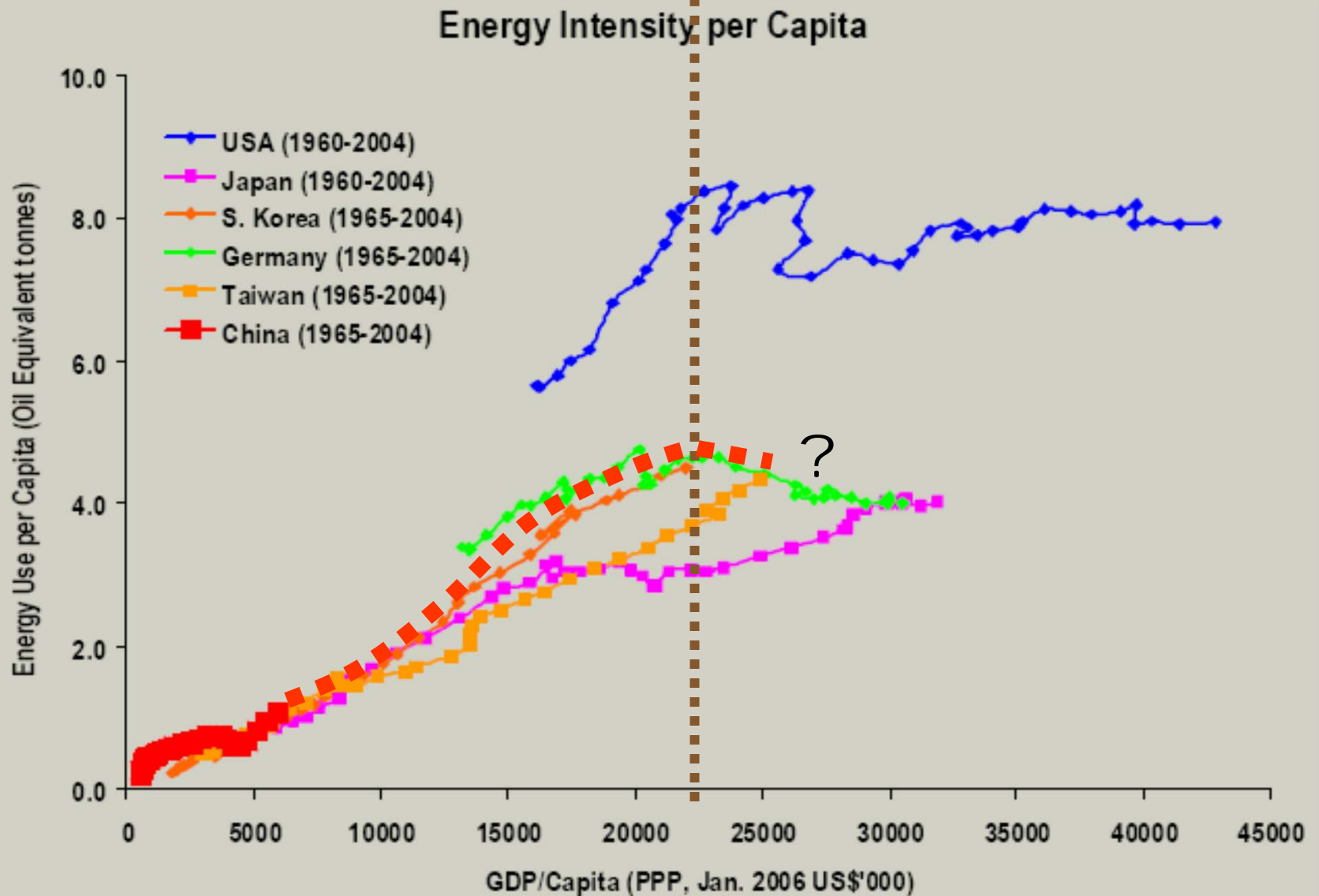
Steel- good proxy for most minerals

How long will the boom last?



However, prices will fall as Asian intensity of mineral consumption falls (China ~2025, India ~2040)

Energy intensity follows a similar path, but appears to peak at ~ \$20 - \$25k/cap



Source: World Bank, OECD (GDP at Purchasing Power Parity), BP Statistical Review

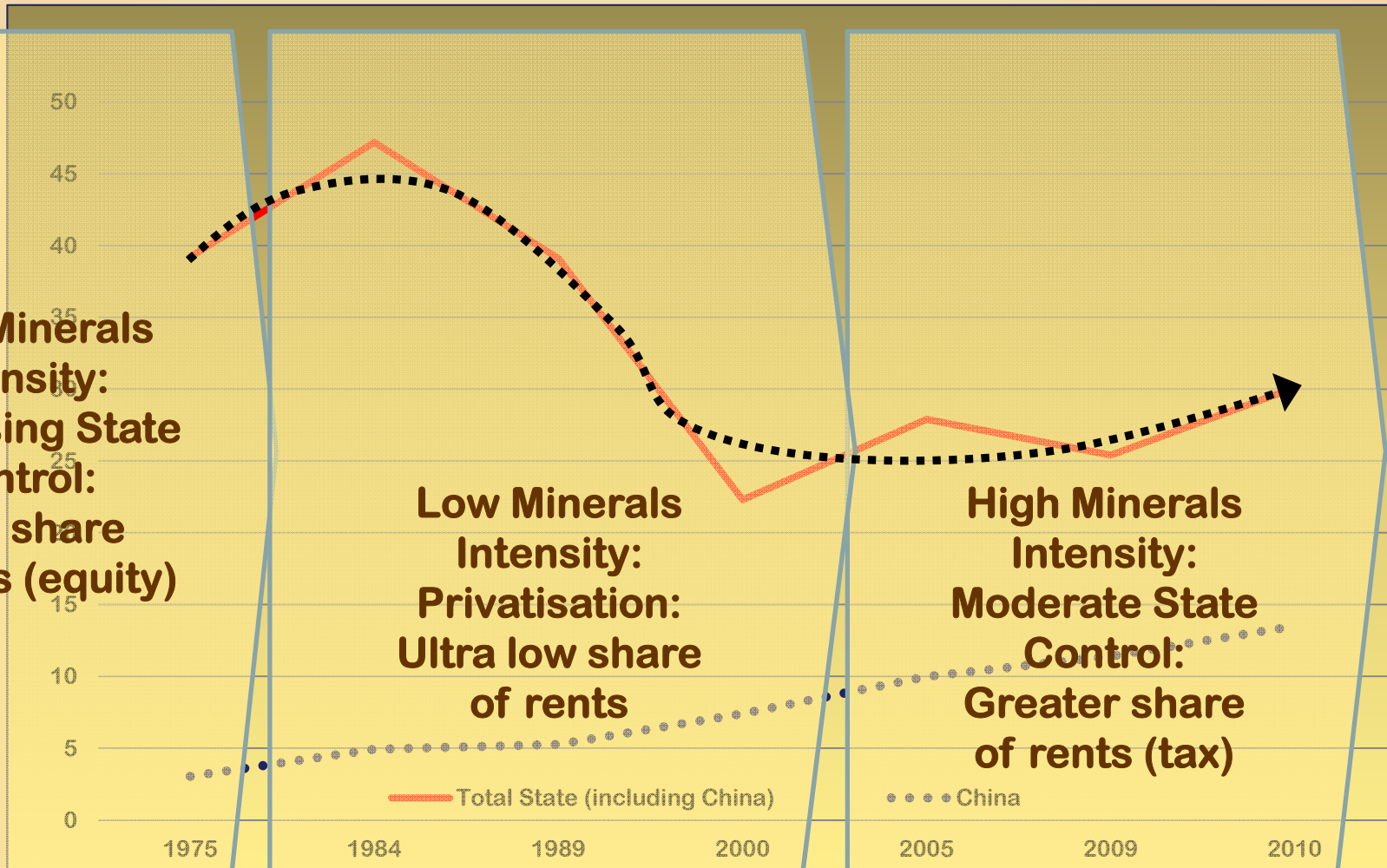
Global State Ownership

Total State value at the mine stage (% of total value)

**High Minerals Intensity:
Increasing State Control:
High share of rents (equity)**

**Low Minerals Intensity:
Privatisation:
Ultra low share of rents**

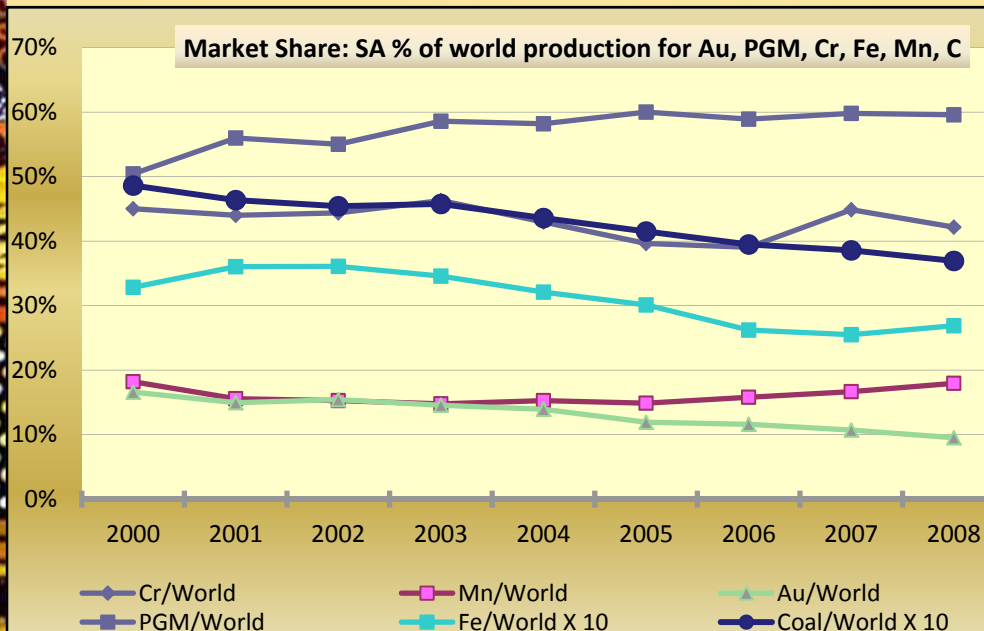
**High Minerals Intensity:
Moderate State Control:
Greater share of rents (tax)**



Source: Raw Materials Data 2010.

The “failure” of South Africa to take full advantage of the 2003-2008 resources boom is often opportunistically blamed on the allegedly onerous mining regime by interests seeking an even more “liberal” regime. However, is this the reason? Infrastructure and resources constraints appear to be the predominant cause:

1. **PGMs** – increased market share: expanded into the boom, tho’ Platreef development constrained by water. Ni & Cu limited by PGMs, as by-products;
2. **Gold** – lost market share: *constrained by limited reserves* (the Wits resource)
3. **Coal** – lost market share: *constrained by rail/terminal capacity*,
4. **Iron ore** – lost market share: *constrained by rail/terminal capacity*,
5. **Chromium** – slightly lost market share: FeCr limited by elec crisis;
6. **Manganese** – kept share, despite rail constraints;
7. **Copper** – lost market share: constrained by limited reserves (Phalaborwa) and the PGM mining shift from the Merensky Reef to UG2 (less Cu & Ni);



HSRC CGE model indicated that a 30% increase in mineral exports could result in 150,000 to 280,000 JOBS!

Beyond a hole in the ground:
Resource Sustainability?

*Optimising the
developmental impact!*

*Case studies showed that
maximising the mineral
linkages is critical:*



Optimising developmental impact of minerals:
Maximise the 5 resource *linkages*

1. **FISCAL**: Capture & invest of resource rents (RRT) in long-term economic physical & human infra (inter-generational)

2. **SPATIAL**
Puts in critical infrastructure to realise other economic potential & could stimulate LED

Use depleting assets to underpin growth in sustainable sectors

3. **BACKWARD**
Inputs: Capital goods, consumables, services, (also export)

5. **FORWARD**
Value-addition: (beneficiation)
Export of resource-based articles

4. **KNOWLEDGE**
Linkages (HRD & R&D):
"Nursery" for new tech clusters, adaptable to other sectors

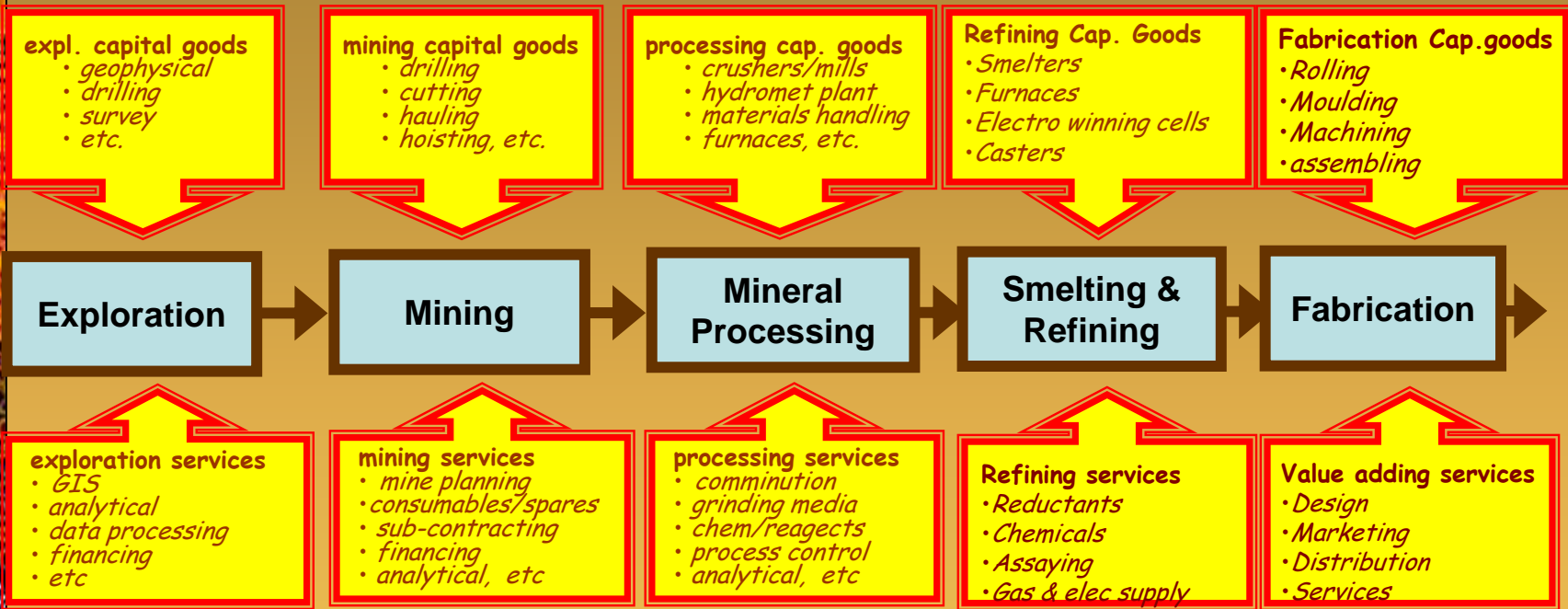
HRD, R&D

If the linkages cannot be made, the people's resources would be best left unexploited- Need to maximise the developmental & inter-generational impact whilst still extant!

Resources provide opportunities for developing the crucial linkages,
In terms of importance:

1. **Fiscal Linkages** - Capture and efficient deployment of rents (inter-generational equity);
2. **Knowledge Linkages** - (HRD & Tech Development)- *prerequisite* for developing the other linkages!
3. **Backward Linkages** - (inputs: capital goods, services, consumables- Tend to be knowledge intensive: Can reinvent themselves in other sectors and survive beyond resource depletion (exports- e.g. Nordics);
4. **Forward Linkages** - (beneficiation), important, but could be constrained in the longer term by finite resources.
5. **Spatial Linkages** - (infrastructure & LED), important at early phase of resources development and “life beyond the mine” (LED).

Resources provide opportunities for up-, down- & side-stream linkages



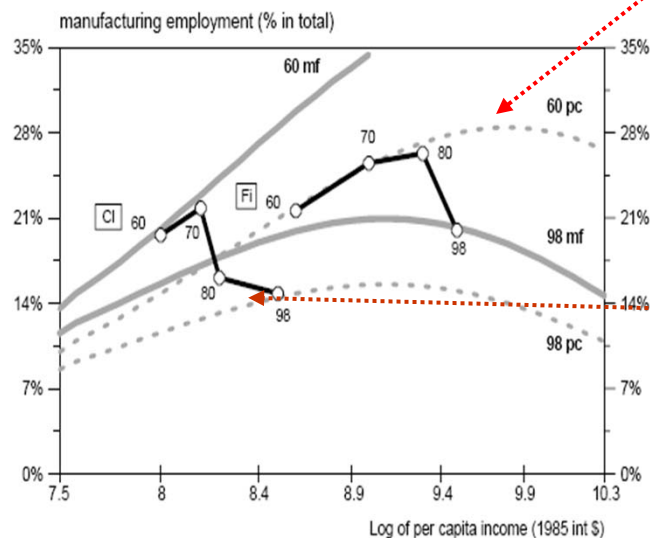
Resources inputs sector (up-stream) has a comparative advantage in:

- 1. Relatively large local market**
- 2. Development of techs for local conditions**
- 3. National asset: permits for concessioning with strong linkages conditionality**

The resource curse can be avoided!

“Deepening” the resource sector linkages: *development of the resource inputs & outputs industries is critical, but requires the development of a resources tech capacity!*

B. Finland & Chile: an 'anti'-Dutch disease and a Dutch disease industrialisation?



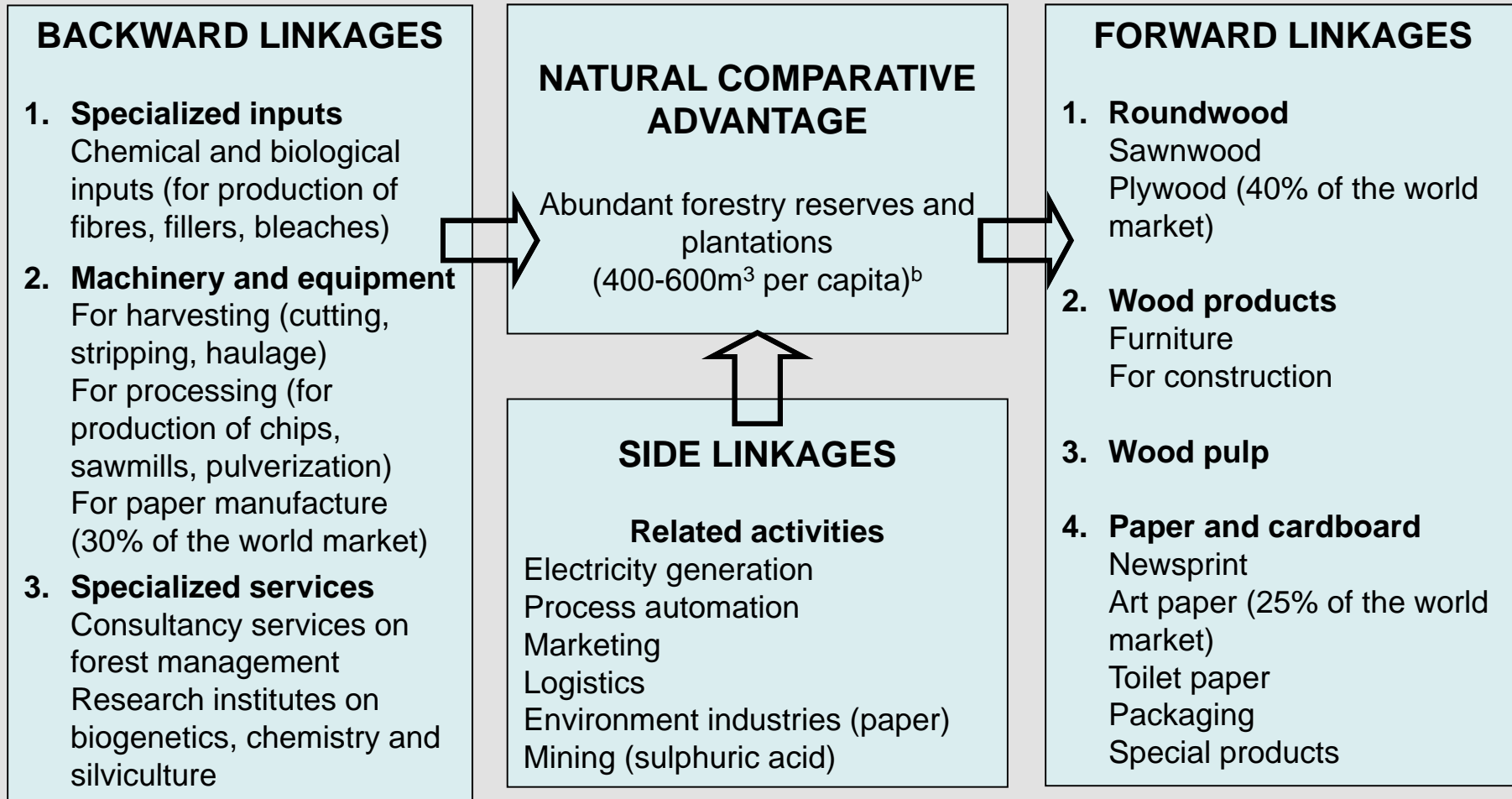
Finland: 1970 on primary commodities (pc- mining & forestry) inverted U-curve, but shifts to 1998 manufacturing curve (mf- resources inputs & outputs/beneficiation).

Chile: 1970 on manufacturing U-curve (ISI), but shifts to 1998 primary commodities (mining & agriculture) curve, after opening up its economy (coup) in the 70's.

Finland managed to shift from a 1970 resources (pc) trajectory to a 1998 manufactures (mf) trajectory, through the development of its resources inputs (machinery) and outputs (value-addition) sectors (source Palma, G. 2004)

Using a natural comparative advantage to develop a competitive advantage

Finland: The mature forestry industrial cluster 1997^a

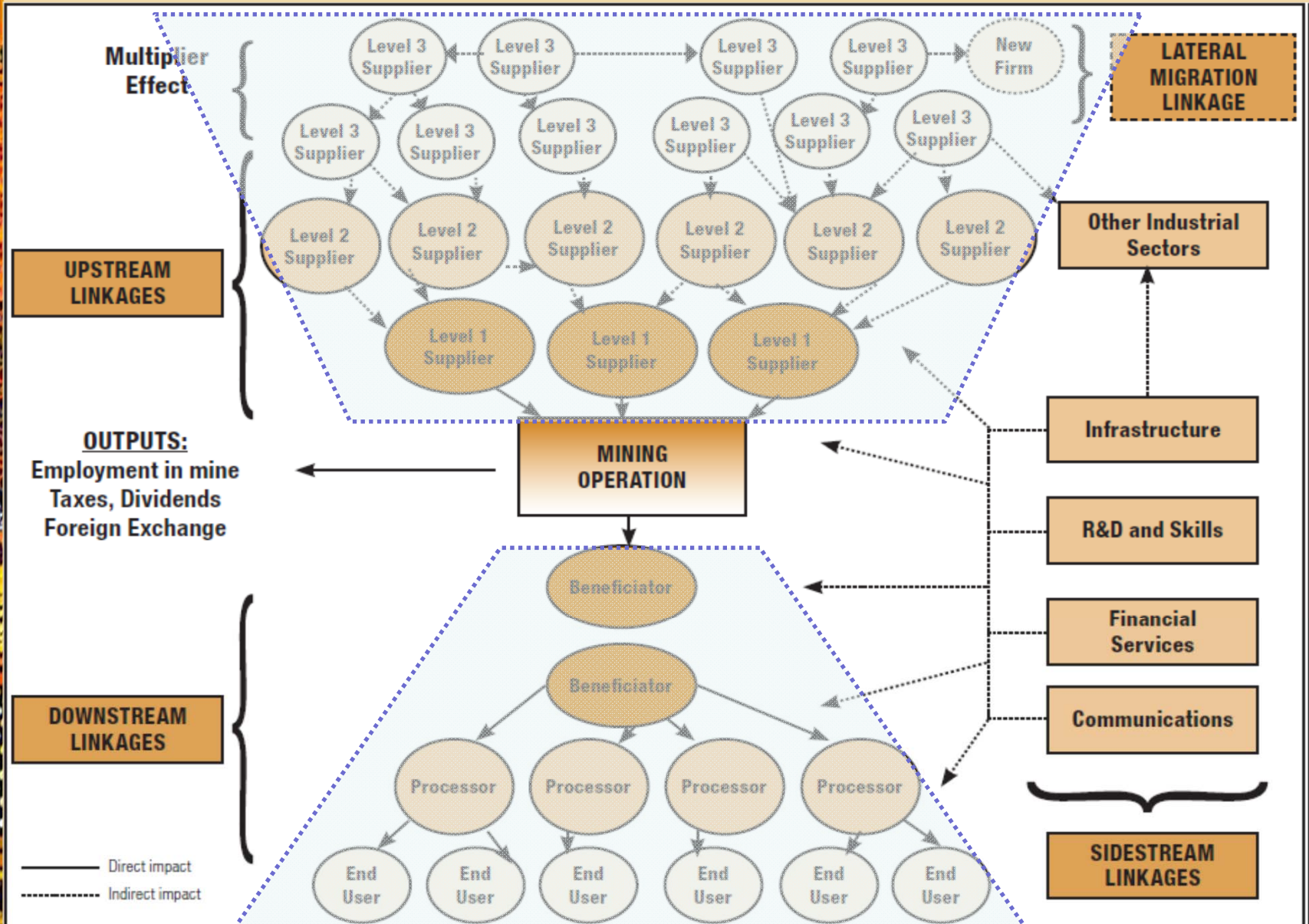


Source: Ramos 1998 p111
(CEPAL Review, #68, 12/1998);

a: Generates 25% of Finland's exports;
b: Compared with 25-30m³ per capita in the rest of the world.
(SA has a similar comparative advantage in minerals)

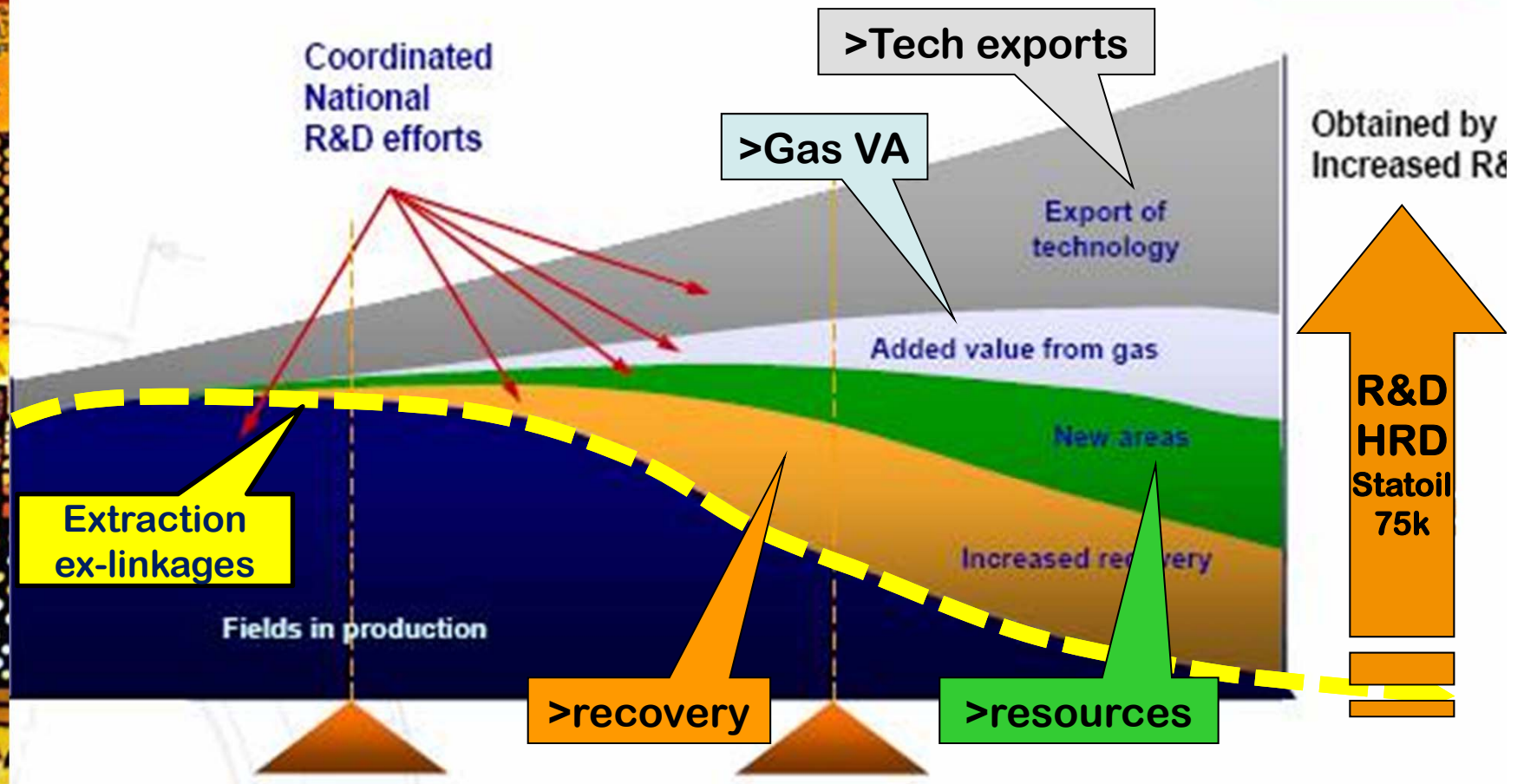
Similar linkage strategies apply to our natural resources

Linkages in the SA minerals industry and the relationship between firms



HC Development Strategy: (Norway: OG21 tech strategy)

Prolong the life of the resources, migrate to exports of resource techs and value-added products: *survive beyond resource depletion!*





Resources Governance: Optimising the Mineral Regime



“Free Mining” Colonial Mineral Regimes

The MPRDA is essentially based on the principle of *free mining*, or “free entry” (FIFA system). Free mining includes:

1. *“a right of free access to lands in which the minerals are in public ownership,*
2. *a right to take possession of them and acquire title by one’s own act of staking a claim, and*
3. *a right to proceed to develop and mine the minerals discovered.”**

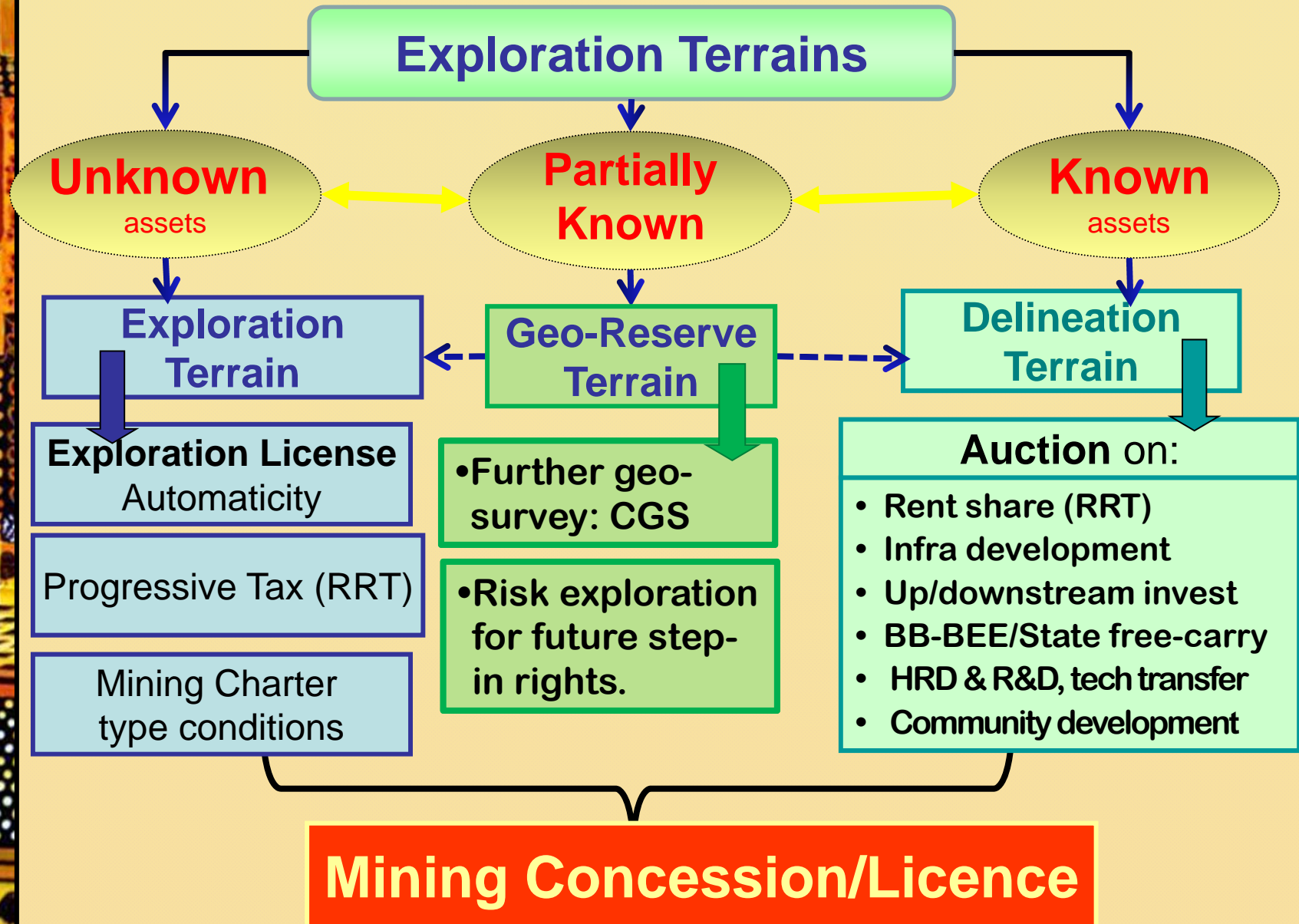
The MPRDA broadly fits into the World Bank’s revision of African mineral regimes from the 80’s till current.

*“..certain elements of the free mining doctrine that animated the nineteenth-century formulation of mining regimes in the American and British spheres have also guided the liberalisation process of African mining regimes over the 1980s and 1990s. One of the ways this came about was through the retrenchment of state authority, which in turn contributed to the institutionalisation of asymmetrical relations of power and influence that had important consequences for local political processes, local participation, and community welfare.”**

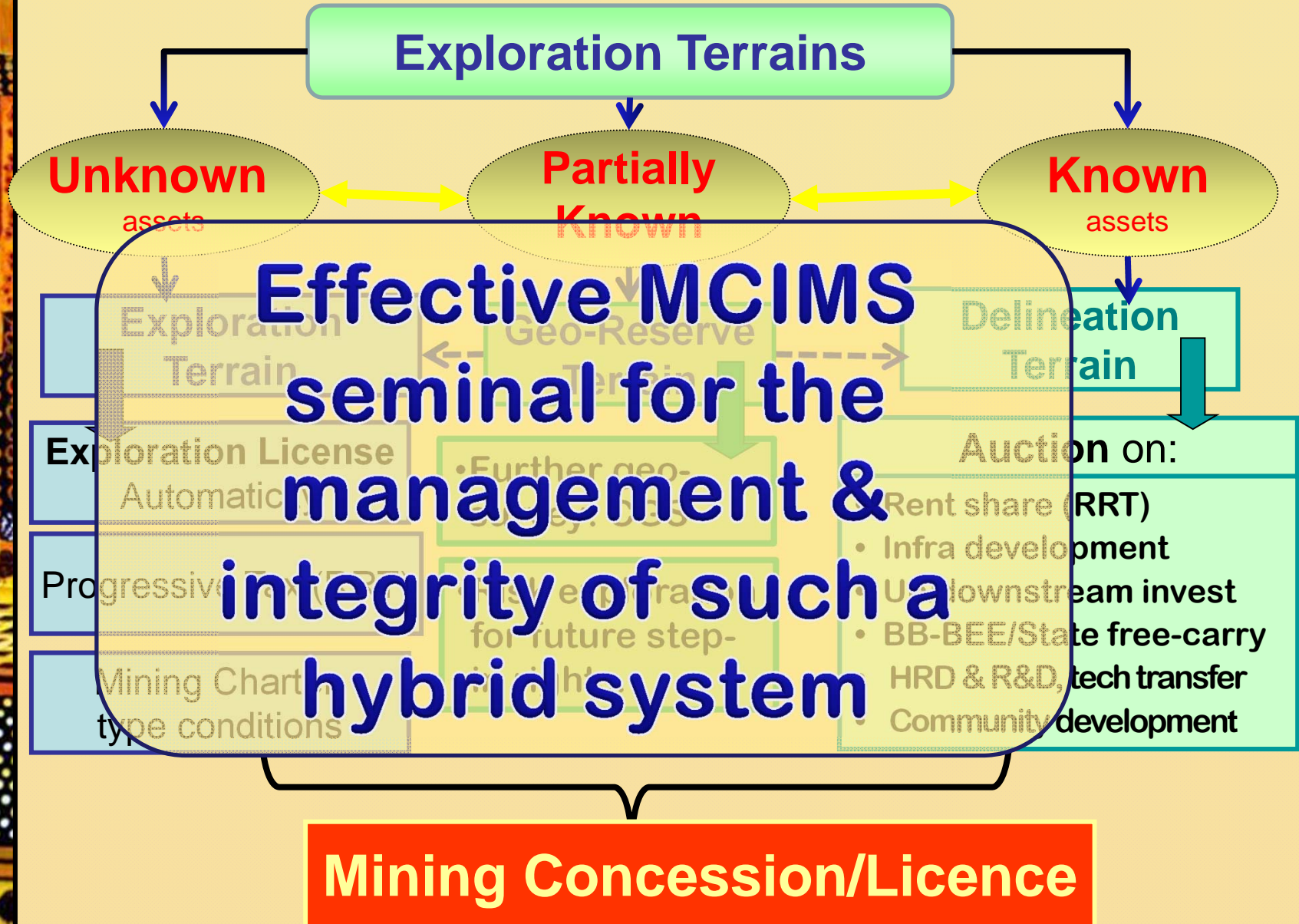
Free mining originated in small enclaves in Medieval Europe but was formalised in California and other European colonies in the 19th century, as a vehicle to promote dispossession & colonisation. *Today it is promoted as “best practice” by the OECD & Bretton Woods!*

But is the wholesale application of this FIFA system in the interests of South Africa?

Extracting Greater Benefits? Beyond "free mining" (FIFA) regimes?



Extracting Greater Benefits? Beyond "free mining" (FIFA) regimes?





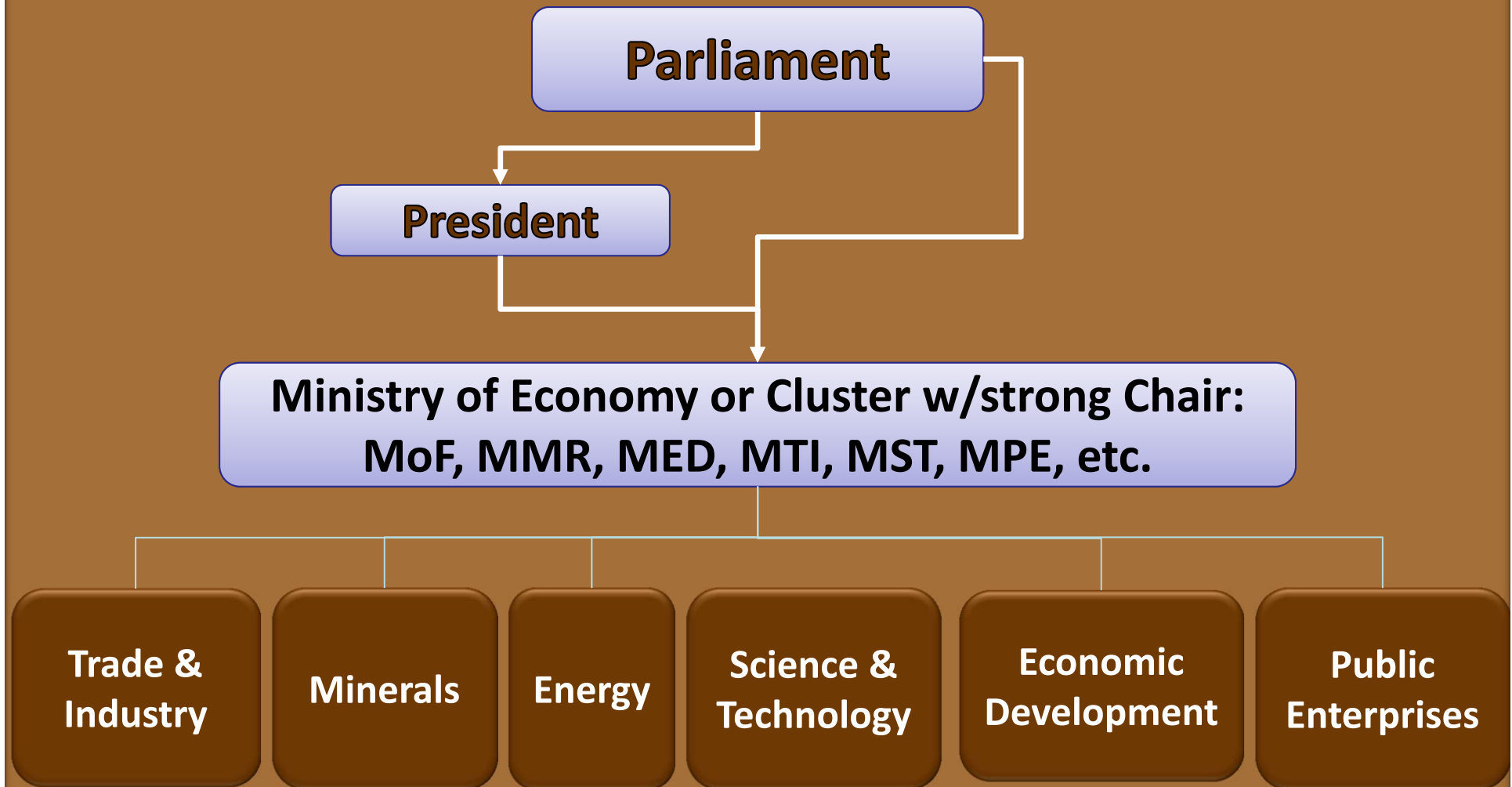
Key Elements in Optimising the Developmental Impact (price discovery)

Bid evaluation should be based on several transparent weighted criteria:

- State revenue over the life of the concession;
 - RRT &/or CIT &/or Royalties: RRT least distortionary
 - State will usually get more by backloading (lower discount rate)
- Excess infrastructure capex:
 - over-dimensioning of project infrastructure for use by other sectors (transport, power, water, etc.)
- Upstream investments (project inputs);
- Downstream investments (beneficiation)
- Technology transfer & local R&D and HRD
- Indigenisation
- Community development:
 - Local and sending areas

Get a market response to the State's "wish list"

Coordinated Governance of MEC:





SA Example- The lost potential impact of concessioning the state's manganese assets against developmental goals

In 2002/3 the state's manganese assets were given a diverse group of B-B BEE companies that have failed to optimise the potential developmental impacts of this world-class mineral asset (possibly the best unexploited manganese property in the world).

Before these assets were "given" to the B-B BEE interests several steel majors had shown a great interest in acquiring them. This led to a high level check, in India & China, on the appetite for steel companies to establish a world scale steel plant in South Africa in exchange for this asset and the response was positive. Consequently it was proposed that the state's unique manganese resources should rather be auctioned against the following criteria:

- Job creation (direct & indirect);
- Downstream beneficiation (ferro-alloys, Mn, Mn salts, etc.);
- The establishment of a world-scale steel plant for flat & long products that would sell into the SA market at EPPs (export parity prices) and thereby discipline Mittal's monopoly pricing;
- Revenue stream to government (royalty, taxes: RRT?);
- Technology transfer & local R&D;
- B-B BEE.

Unfortunately this proposal was rejected and instead these assets were given to several B-B BEE companies that lacked the resources to optimise the propulsive impact of these national assets. A rough calculation on the potential jobs lost by this "give away" came up with a figure of over 100,000, mainly due to the impact of lowering steel prices to our manufacturing sector by 30% to 50% (after labour, steel is the most important input by value into SA's capital goods sector).

One of numerous opportunities lost!



SIMS *Proposals*

Ownership & Control

Nationalisation of all Mining Companies:

- Our Constitution requires compensation, though compensation could be at less than market value considering “*the history of the acquisition and use of the property*” .
- However, we have entered into bilateral investment (protection) agreements with most of the countries of the main shareholders domicile/listing. These agreements demand prompt compensation at ***market value***:
- The cost to acquire 100% of *listed* companies only would be about one trillion Rand: This exceeds the entire government budget and would put us into unserviceable debt..... and into clutches of the Bretton Woods Institutions under a SAP. This would be untenable!



Ownership & Control

Blanket Nationalisation without compensation:

This would require a Constitutional change and would result in a collapse of foreign investment and access to finance.

Also- widespread litigation by foreign investors under investment protection agreements (BITs) = we pay all the same = unserviceable debt.....

- Unmitigated disaster for our country and people!**



Ownership & Control

Targeted State Interventions:

- The principal outcomes desired are a much greater share of the resource rents - through the introduction of a 50% Resource Rent Tax (RRT) see below, and
- The development of all the mineral economic linkages (backward, forward, knowledge and spatial, see below) using a variety of instruments, for accelerated job creation.
- Nationalisation of targeted mineral extraction *is always an option*, particularly for strategic monopoly-priced mineral feedstocks, if other instruments don't work.
- State ownership was used by several of the states surveyed for strategic mineral feedstocks, especially iron & steel.





Ownership & Control

Nationalisation of Mineral Assets:

- This was realised through the MPRDA of 2002, in line with the Freedom Charter, thru' conversion of "old order" private rights to "new order" state rights.
- However, there have been challenges to this conversion on the basis that it is in effect a property expropriation under Section 25 of the Constitution.

PROPOSAL:

We should explore options to make it absolutely clear that mineral rights are not included in property rights and belong to the people as a whole. The current ConCourt case could do this.

Mineral Economic Linkages

Fiscal Linkages:

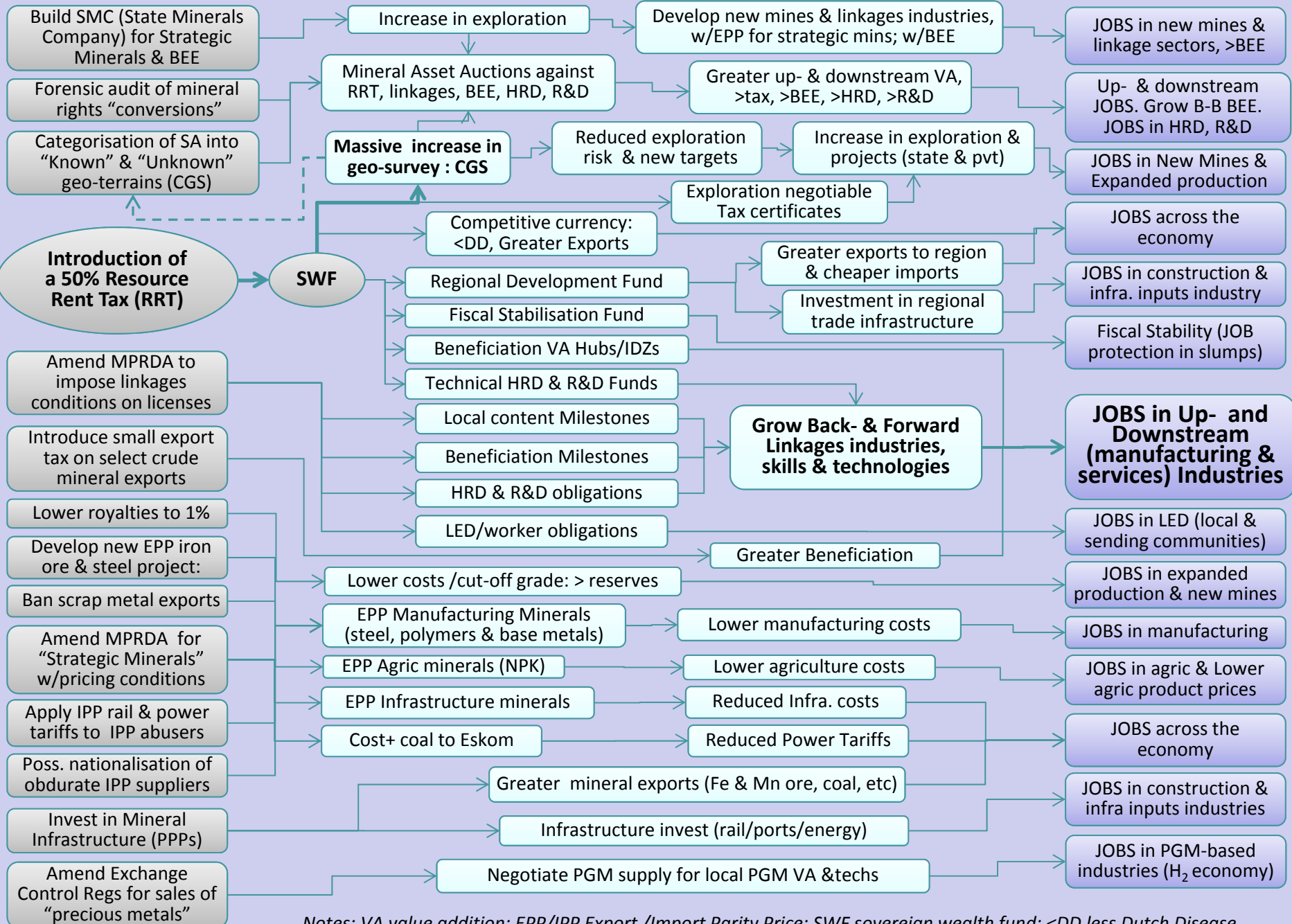
Deployment of RRT SWF

Target	% of RRT SWF	
Minerals Development Fund		40.0%
Geo-survey	2.5%	
Exploration facilitation	5.0%	
Royalty compensation	5.0%	
Technical HRD	10.0%	
Minerals R&D	2.5%	
Pilot Beneficiation Hubs	15.0%	
Regional Development Fund		30.0%
Fiscal Stabilisation Fund		30.0%
Total		100%

SIMS: Map of Select Proposed Interventions

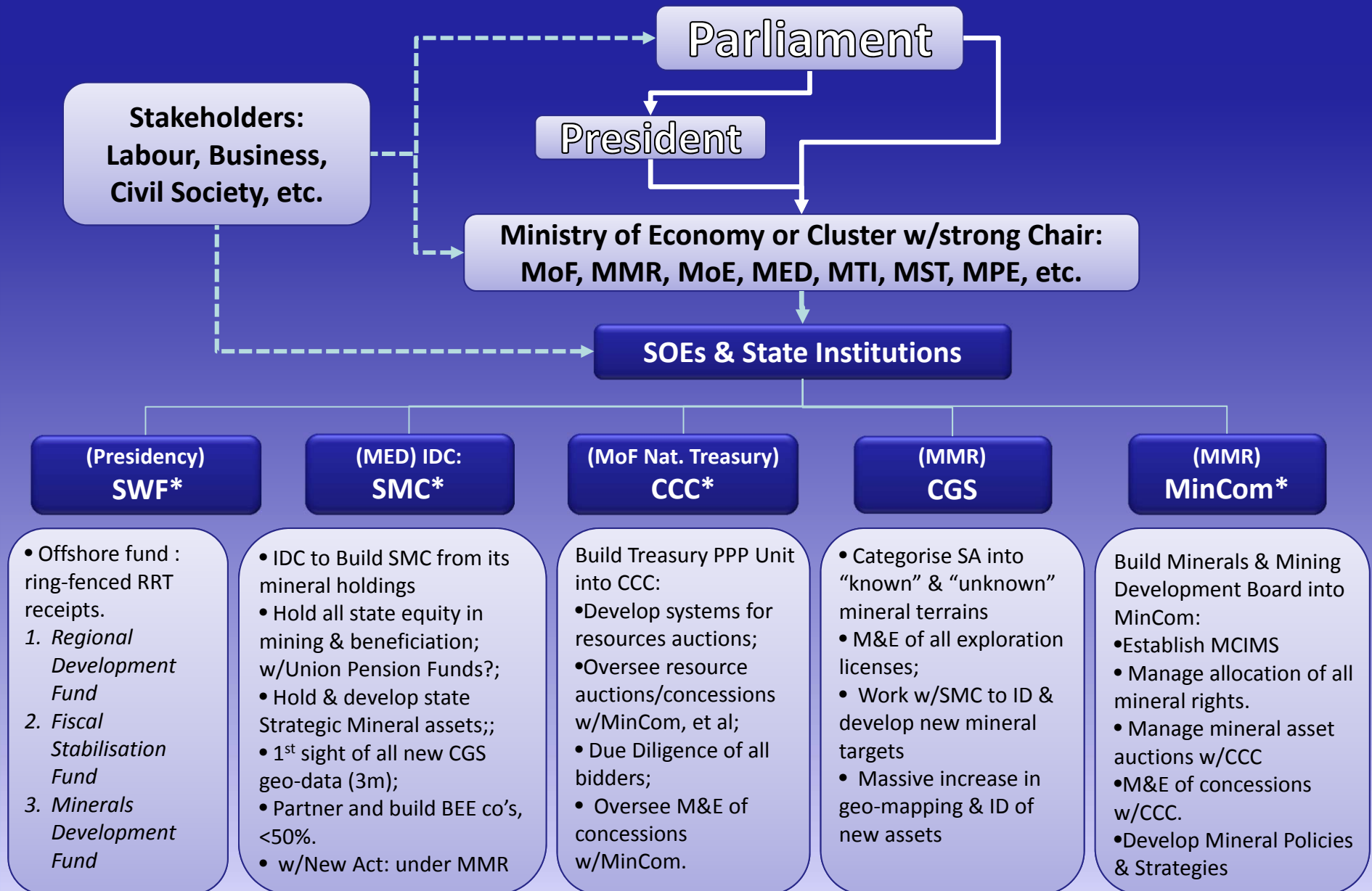
ACTIONS

IMPACTS



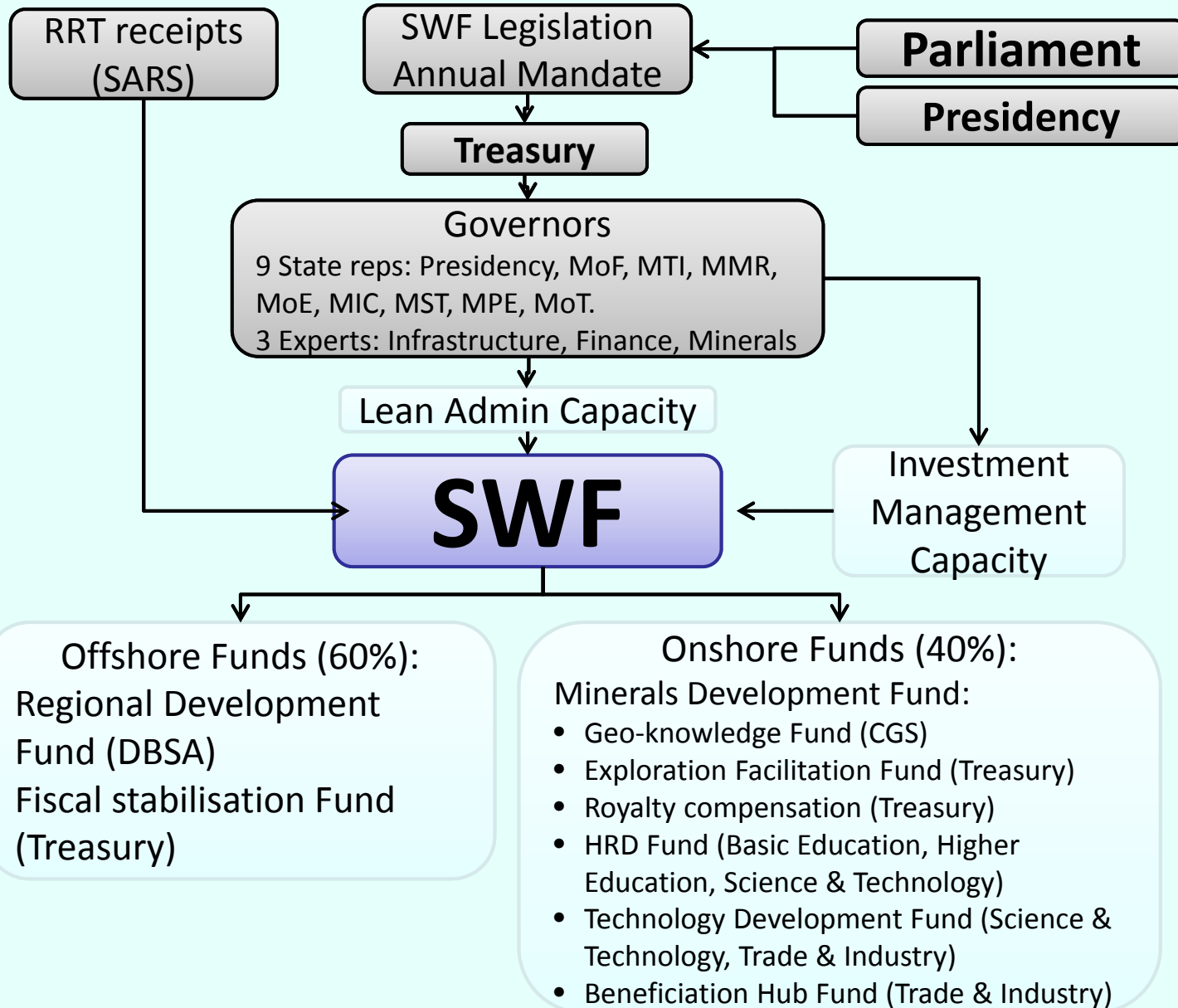
Notes: VA value addition; EPP/IPP Export /Import Parity Price; SWF sovereign wealth fund; <DD less Dutch Disease

Proposed Minerals Governance Institutions:



* SWF: Sovereign Wealth Fund; SMC: State Minerals Company”, CCC: Concessions & Compliance Commission”, MinCom: Minerals Commission,

Sovereign Wealth Fund





SIMS

Conclusions

Conclusions

1. ***Our rich and diverse mineral resources endowment could underpin growth, development and job creation*** but this will not happen through “market forces” alone. We need to begin to apply our concept of a Democratic Developmental State to the governance of our mineral assets, to ensure that ***the development of all the mineral linkage sectors is maximised*** to stimulate industrialisation and job creation and to capture an equitable share of our resource rents.
2. ***The key state intervention to realise the crucial economic linkages is the development of quality technical human resources*** (engineers, scientists, technicians), at which we are currently failing badly. An indicative “guesstimate” of the proposed interventions indicates that up to 1 million jobs could be created over 2 to 5 years. In general one mining job creates about one other job elsewhere in the linkages sectors (especially inputs).
3. In general we need to ***transform the core of our economy, the Minerals Energy Complex (MEC)***, through good governance, into the driver of growth & development through the ***maximisation of all the MEC linkages (fiscal, backward, forward, knowledge and spatial)***, rather than merely a vehicle for super-profits, much of which are expatriated.
4. Such a resource-based (MEC) growth & development strategy will be greatly enhanced by ***equitable regional integration (SADC)***.





5. A major challenge is ensuring that a much higher proportion of the super-returns from the extraction of the people's resources is in the hands of the ***state to invest for the people as a whole***, whilst ensuring that the minerals sector continues to grow and prosper. South Africa's taxes are generally *lower* than most other countries. We need to ***introduce a Resource Rent Tax and the receipts should go into Sovereign Wealth Fund***, part of which should be used to develop infrastructure, skills & geo-knowledge, including to the benefit of the minerals sector.
6. Knowing what the people's exploitable resources there are is a crucial starting point. The state must ***dramatically increase investment into geo-survey capacity*** (Council for Geo-Sciences: CGS) and ensure that valuable ***rights are concessioned with the optimal developmental returns, through public tender ("price discovery") or the SMC.***
7. Maximising the developmental impacts (linkages) from resources means effective coordination on the part of the state, rather than fragmented decision making. A ***super-Ministry of the Economy should be created, or at least the merging of the key MEC Ministries***: minerals, energy, trade & industry and economic development.
8. ***It is incumbent on our generation to ensure that the current depletion of our finite mineral assets establishes a competitive industrial platform for the economic prosperity of future generations.***

SIMS Indicative JOB CREATION Guesstimates (400k to 1 million)

ACTIONS

Build SMC (State Minerals Company) for Strategic Minerals & BEE

Forensic audit of mineral rights "conversions"

Categorisation of SA into "Known" & "Unknown" geo-terrains (CGS)

Introduction of a 50% Resource Rent Tax (RRT)

Amend MPRDA to impose linkages conditions on licenses

Introduce small export tax on select crude mineral exports

Lower royalties to 1%

Develop new EPP iron ore & steel project:

Ban scrap metal exports

Amend MPRDA for "Strategic Minerals" w/pricing conditions

Apply IPP rail & power tariffs to IPP abusers

Poss. nationalisation of obdurate IPP suppliers

Invest in Mineral Infrastructure (PPPs)

Amend Exchange Control Regs for sales of "precious metals"

IMPACTS

JOBs in new mines & linkage sectors, >BEE

Up- & downstream JOBs. Grow B-B BEE. JOBs in HRD, R&D

JOBs in New Mines & Expanded production

JOBs across the economy

JOBs in construction & infra. inputs industry

Fiscal Stability (JOB protection in slumps)

JOBs in Up- and Downstream (manufacturing & services) Industries

JOBs in LED (local & sending communities)

JOBs in expanded production & new mines

JOBs in manufacturing

JOBs in agric & Lower agric product prices

JOBs across the economy

JOBs in construction & infra inputs industries

JOBs in PGM-based industries (H₂ economy)

Intervention/Action (2-5y)

Remove Mineral Export Constraints:

10% increase in mineral exports (CGE model)

20% increase in mineral exports (CGE model)

30% increase in mineral exports (CGE model)

• **+10% Beneficiation VA**

• **+20% Beneficiation VA**

• **+10% local content VA**

• **+20% local content VA**

• **EPP Iron & Steel**

• **EPP Polymers**

• **EPP Base metals**

• **EPP Cement**

• **EPP Other (NPK)**

Coal @ cost plus (reduce energy costs)

New HRD investment (teachers/bursars)

New R&D invest (license & SWF) & geo-survey

3 Pilot Beneficiation Hubs

Mineral Infrastructure Upgrades

Mineral Asset Auctions

SMC

Greater regional exports/imports

Regional trade infrastructure

PGM VA Strategy

New Mines (& EPP steel project)

TOTAL (1000's)

High
1000's

Low
1000's

95

50

191

100

286

150

40

20

70

40

20

10

30

15

90

60

80

50

20

10

20

10

30

10

20

10

30

15

5

3

45

20

4

2

55

25

15

5

80

40

6

3

14

7

100

50

1000

400



Summary of Key Interventions

1. Much greater coordination of key MEC sectors (minerals, trade, industry, energy, SOEs, technology, etc.) through a “Ministry of Economy” or strong Cluster;
2. Impose a RRT and ring-fence receipts in a SWF with 3 Funds: Fiscal Stabilisation, Regional Development & Minerals Development;
3. Amend MPRDA for license linkages conditions (up- & downstream VA) and for “strategic minerals” with extraction and pricing conditions;
4. Urgently expand/upgrade mineral infrastructure (transport & energy) through PPPs.



Thank You Ke a leboga Ngiyabonga Dankie

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African Minerals Strategy: “Advocates for Change”,
Edited by Moeletsi Mbeki