

Remove red tape and inefficiency to improve investment in the mining sector

By **James Lorimer MP** - DA Shadow Minister of Mineral Resources

Some months ago the Minister declared it was his intention to raise our rankings on the Fraser index of desirability for mining investment. We have since slipped to tenth least desirable mining destination in the world. That's a measure of how this government and this Minister have failed to foster our mining which should be even more of a national asset than it is. We have bad rules that are badly implemented, when they are implemented at all because there's illegal mining which is outside the system and hardly addressed.

I went to a function in Cape Town recently that coincided with the Mining Indaba. This was hosted by a company which is trying to get several major mining projects started. I was told about the frustrations this company was going through, just to get a license approval. Their documents are in order, but the application mysteriously seems to get transferred from desk to desk within the DMRE. Nobody can tell them where their application is or why it's delayed. The miners want to start their project, they've done all their work. But permission is stalled, for months. Hundreds of millions of Rand which could create hundreds of jobs which would feed thousands of our people are left unspent.

There's an acknowledged backlog in licensing applications. This process is characterized by weak Information Technology (IT) systems, weak and compromised decision making and buck passing.

So let's look at that acknowledged licensing backlog. The DDG told the Portfolio Committee recently that he hoped the backlog would be resolved by the end of this financial year. All credit to him for optimism, the facts show that is unlikely. Let's look at those facts.

In a Portfolio Committee in early 2021, we were told that there was a backlog of 5,326 mineral license applications of various types. In October the DMRE gave figures which showed it had processed an average of 87 per month. At that rate it would take 5 years to resolve.

But the Department stepped up its efforts. By April we were told a total of 1400 have been dealt with. That works out to an average of 108 per month better, but nowhere near good enough.

Nearly 4 thousand applications are still unresolved. At the rate the Department is working, it will take 36 months more to clear the backlog, around April 2025.

Does anybody really think that those applicants keep their investment capital sitting around waiting for the Department to get its act together? That's not how mining capital works. In most cases, if a project seems blocked, it will go elsewhere. What would be more interesting is to tell us, how many of those license applications that were processed actually result in mines.

By the time it's licensed, there's no guarantee that the department hasn't thrown away that chance of investment, thrown away those projects, thrown away those potential jobs, and thrown away that mine's contribution to the fiscus.

One of the reasons for our problems with licensing is that there is no transparent record of rights.

A cadastral system tells the public who owns what mineral rights where. In most countries that is transparent, you can see who has how many rights. You know where there are still mineral rights you can and can't apply for. In most countries. In most countries in Africa. Not in South Africa.

The Minister has been saying for years that there was a problem with SAMRAD, and something would have to be done. He then went about it in a lackadaisical fashion, drawing up the tender parameters. All the while, for 3 years, our mining exploration is bleeding, shrinking, reducing.

Then in March last year we had a portfolio committee meeting in which we discussed what a mess SAMRAD is in. At that meeting I asked if it was true, which I know it is, that mining companies have offered to pay for an off the shelf cadastral system that could be installed in 6 months.

As is usual with revealing questions in portfolio committee, I didn't get a direct answer.

No, it was insisted, we must have a specially designed system at two or three times the cost.

And 14 months goes by and the Minister reveals that the tender is with SITA. Now with the best will in the world, SITA does not have a reputation for speed, efficiency and incorruptibility. Any Minister worth his salt would have sat on SITA's heads and made sure that this system, this lifeblood of the future of our mining industry was moving along. But after 14 months, nothing!

Then, after the Minister has blamed SITA for the delays, SITA reveals that it is in fact the DMRE that is responsible for the delays, that 5 of the 6 members of the procurement team are members of the Department who have refused to address auditors questions about conduct that could mean the tender is corrupt. Why are they not answering? It would seem the tender is corrupt. Even if it isn't, why has the minister not intervened to speed up the process?

All of this prompts the question: Why does the ANC government and its deployed officials in the Department not want a transparent licensing process?

Here's why: One-The ANC has given us a generous record of crooked contracts, where the tender is inflated so money goes back to the ANC and back to connected, crooked officials. That's why they must control this tender and build an in-house system.

And two, if there was transparency in mineral rights, everybody will see how many rights connected comrades have in their pockets. They squat on those rights and demand a cut when any real miner comes along.

The Minister will deny this, but there is plausible evidence. Give us a plausible alternative explanation. In the absence of that, and there will be an absence because there is not plausible alternative, we must believe that the entire system is rotten from top to bottom.

South Africans should know. All that new mining investment and all those potential new jobs will not come, because the ANC must eat.

The Department spends all its time on essentially obstructing potential investment. Meanwhile a large and growing part of mining in this country is unregulated and illegal. The department spends very little time on this.

In Emalahleni last weekend, I saw illegal coal mining, in plain view of a major provincial road that had been going on for months. It wasn't hard to find. It was marked by plumes of smoke from spontaneous fires. Residents from the adjoining suburbs had been breathing smoke and hearing blasting all that time. No sign of action by the Department. They may tell us they been doing something. I don't believe that, illegal mining was happening continuously, visibly, 9 kilometers from the Emalahleni office of the DMRE.

Two possible explanations, either crippling incapacity or officials are paid to look the other way. Everybody in mining knows the problems with this office. It is not known as "Crook's Corner" for nothing. I believe the current going rate to get a section 54 lifted is ten thousand Rand. The Minister says he has dealt with corruption in this office. He hasn't. Another in his long list of failures.

Even if minerals get out of the ground, not all of them can get exported. Transnet incapacity means Exxaro alone lost out on R5 billion in exports. When asked by the media, minister Mantashe said "ask Portia Derby". That's not good enough. The minister is a member of the cabinet. He should be taking this up vigorously, not ducking responsibility.

Despite this stellar record of failure the Minister is not hated by the mining industry. They know, from experience that it could be worse. The Minister's one great achievement is that he is not Mosebenzi Zwane. Measured against policy that this shrinking mining and a Department that shows enthusiasm only in blocking investment, and extracting bribes that is not impressive.

Mining could provide a lot more jobs and wealth. But it needs to be free to operate. Drop BEE, drop localization, stamp out corruption and fix infrastructure. The investment will come.