

Budget Vote speech by Ms Susan Shabangu, Minister of Mineral Resources, to the National Council of Provinces (NCOP) Parliament

7 Jun 2011

Honourable Chairperson,
Honourable Members,

I am pleased to get yet another opportunity to present our budget vote to this important house of Parliament. We are a government department that has an obligation to ensure that we use our regulatory competence to contribute to the overall aim of job creation - which is right at the top of the agenda of the term of this government as announced by President Zuma in his State of the Nation Address earlier this year.

Budget allocation for 2011/12

In carrying out these demanding commitments we are pleased to present to this house a budget allocation for 2011/2012 of an amount of R1,036 billion which represents an increase of R40 million from the previous year's budget of R995 million.

In managing this budget extra care will be taken to ensure that we are able successfully to service all nine provinces and bring service delivery right at the coal face of our people.

Mining environment

We are operating within an environment where prospects for an improved performance of the mining industry have never been so favourable. The present set of circumstances present the mining industry (since the time of the recent global economic and financial meltdown) with the possibility to contribute meaningfully to our gross domestic product (GDP) and job creation.

Administrative processes

When we addressed this House last year we were doing so within an environment characterised by a great deal of concern from our international and domestic investors about our regulatory framework. There was a concern about the slow pace of processing applications of various types (i.e. rights and permits) which was not helping the cause of investment decisions in the mining industry. I am therefore pleased that, having sent the DG to fix these anomalies, we have succeeded in;

Streamlining our administrative and regulatory processes; fixing the data that was sitting on our NMPS system; as well as reducing the turnaround time for processing various types of applications.

In this regard, following the discovery that occurred during the DG's visit to the regions (of the department), I imposed a moratorium for new prospecting applications which was accompanied by comprehensive audits covering the entire spread of the licensing process.

The outcome of these audits pointed to cases ranging from, among others, administrative errors including cases of double granting of rights; lack of proper administrative system; fronting; non-payment of prospecting fees; non-compliance with approved Environmental Management Plans (EMPs); as well as cases of right holders who could not be traced.

In a bid to achieve efficiency, transparency and effectiveness, and whereas in the past companies or individuals would go straight to any of our regional offices to lodge their applications, they would now be able to go online and use the online application licensing system called the South African Mineral Rights Administration (SAMRAD) to lodge their applications. This system is one major development that was particularly well received during our latest international road show where we met investors earlier this year.

Moratorium in Mpumalanga

In this regard the complexities of challenges in Mpumalanga have compelled me to keep the moratorium in place there until the end of September this year.

Mining and job creation

Our mining industry continues to be a crucial backbone of our economy. Working together with our social partners, organised labour, business and other sister state departments, we have developed a growth and transformation strategy which identifies binding constraints to the growth of this sector.

We have identified action steps that are required to optimise this sector's extractive capacity, attraction of investment and job creation potential and these have been captured in the New Growth Path. This will ensure that the mining sector realistically unleashes its growth, employment as well as transformation potential to enable it to be the sunrise industry that it continues to be.

To this end, we will be collaborating with other key partners such as the departments of Transport, Energy, Water Affairs as well as Transnet to ensure that we address the binding constraints that have been identified in the strategy. This will cover such areas as rail and road networks, energy infrastructure, and access by the industry to scarce water resources and management of impacts thereof as well as licensing related thereto

State Owned Mining Company (SOMCO)

I am pleased to report that the African Exploration and Finance Mining Company, the rudimentary organ of the state owned mining company, recently launched its first coal mining project in the province of Mpumalanga. Consequently, it has managed to have its first coal stockpile which it will supply to Eskom this month.

Beneficiation

With a view to maximising our national benefits from our mineral resources, we are pleased that we have received a nod from the Cabinet processes.

We are confident that this has given us a firm basis to pursue a comprehensive and integrated approach to mineral beneficiation. Down-stream, side-stream and up-stream activities and industries that associate with our mineral wealth will be systematically and carefully structured so as to achieve our overall objective of job creation and increased government revenue.

Research and development

While we are steaming ahead with our beneficiation strategy, we are not oblivious to the fact that beneficiation - resource intensive as it is - is simultaneously knowledge intensive. In this regard, working together and in partnership with the Department of Science and Technology and other science councils such as Mintek and CSIR, we will

collaborate on issues related to research and development. This will ensure that innovation becomes the epicentre of beneficiation. This will, amongst others, include energy and water consumption efficiency solutions.

REVIEW OF THE Mining and Petroleum Resources Development Act (MPRDA) And Mine Health And Safety

We are currently conducting a review of the MPRDA. This is aimed at improving the current construct of the Act in order to remove ambiguities, make provision for consultation processes as well as streamline the licensing processes.

In this regard, we will be strengthening the law in areas where it allows the Minister to invite applications for mining rights in areas where they were previously granted, issued, revoked or had even expired. The amendment would include strengthening the regulatory environment to ensure that we promote environmentally responsible mining.

In the same vein, we have identified the need to review entirely the Mine Health and Safety Act. This review will strengthen enforcement provisions; reinforce penalties; provide clarity in certain definitions and expressions; as well as effect certain amendments to ensure consistency with other laws, particularly the Mineral and Petroleum Resources Development Act, 2002 (MPRDA). These amendments as well as new regulations will soon go through the Parliamentary process.

Communities in mining areas

We are in receipt of a number of concerns emanating from some communities where mining activity is taking place. We have consequently implemented a series of measures with a view to nipping these in the bud. The extent and nature of these concerns even warranted that the affected communities should raise these with the members of the NCOP during its programme of taking Parliament to the people.

I want to assure Honourable Members that we are addressing these concerns in a structured manner. Our assessment is that these concerns emanate from outstanding issues that were never fully addressed; lack of understanding of the role of the regulator (ie the department) in addressing community issues; lack of understanding of what should be done by mining companies themselves; as well as non-compliance on the part of right holders with the commitments that they have made to affected communities, which, I must indicate, we are not always aware of.

I am also aware that the very matters arose during the NCOP's recent visit to Sekhukhune. I want to assure Honourable Members that we appreciate this project of taking Parliament to the people. We will, going forward, enthusiastically work with this House particularly in areas where there are mines which will address the challenge posed by lack of development.

President Zuma visited Motlhotloa few months ago to launch a programme which places communities as direct beneficiaries of empowerment transactions. This transaction should be replicated as it may very well serve as a prototype for resolving the community and business dynamic.

We expect the NCOP to work within the framework of the outcome of the Nhlapo Commission particularly when dealing with the concerns that are emanating from communities residing in areas that are located in areas where there are traditional leaders.

Derelict and ownerless mines

As I said last year, we have embarked on a programme of rehabilitating derelict, ownerless and un-rehabilitated mines. Even though funding still remains a challenge we are nevertheless addressing this matter where mines continue to pose a serious environmental, health and safety risk to the neighbouring communities.

We have embarked on a programme permanently to eliminate the environmental damage by putting the land impacted by the mining activity back to a sustainable usable condition.

Accordingly, five Derelict and Ownerless mine sites were rehabilitated in the 2010/11 financial year. These sites are the following areas: Jebolo, Owendale, Strelley as well as Prieskamine site and Prieska mill site respectively. This year we are rehabilitating an extra ten sites which will be in the following areas: Osizweni in Lusikisiki quarry, Penge asbestos site in Limpopo, Heuningvlei in Northern Cape, three more asbestos sites in Prieska, Vergenoegd, Gamatsamai and Bestwell in the Kuruman area.

We have also developed a new set of comprehensive measures to ensure that we do not have a repetition of the *status quo*. Going forward, companies will be requested to review their financial provision for rehabilitation so as to ensure that rehabilitation takes place post mining.

Shale GAS

I am pleased that Cabinet has endorsed our earlier and correct decision to impose a moratorium on shale gas exploration in the Karoo. I have since appointed a task team of senior government officials led by my department to conduct further research including looking at international experience, in order better to inform our policy and approach on this matter. I am anticipating that I will receive a report from this Task Team at the end of July.

Health and Safety

My department is greatly concerned about both the continued loss of life and health challenges facing the mining sector. The mining industry cannot afford to continue losing lives at this alarming rate. It is quite clear to me that we need a radical approach to turn this around and we will do so even as we respond to the expected growth of mining in the North West, Limpopo, Mpumalanga and Northern Cape regions respectively. My department will continue with interventions including, amongst others, restructuring the inspectorate to improve our enforcement capacity in the regions.

This will incorporate the establishment of regional compliance and investigation units. These units will be focusing on inspections and audits. Legal advisors will also be appointed at regional offices to assist with investigations and enquiries, and enhance the possibility of prosecutions as and when necessary.

The North West regional office will be split into two independent offices strengthened by the presence of satellite offices to improve on the monitoring and evaluation of the health and safety programmes at the affected mines. These activities will be undertaken through the recently established chief directorate of occupational health which will ensure that we focus on occupational health matters.

Skills development

Over and above the activities we are embarking on, the Mining Qualifications Authority (MQA) will spend R260m to support the Mining and Minerals Industry with Skills Development. This figure excludes mandatory grants of approximately R350m given back to the industry.

There is a need to continue our partnership with further education and training (FET) colleges through the MQA's FET artisan development initiatives particularly in areas where there is significant growth in mining. Already there is noticeable progress in a number of mining areas which include Upington, Rustenburg, Palaborwa, Sekhukhune and Vhembe with regard to artisan training.

The department will monitor these programmes to ensure that the intended beneficiaries (about 500) who are studying engineering courses, geology, metallurgy as well as environmental studies at almost all our institutions of higher learning, do indeed benefit from these initiatives.

Conclusion

Finally, I want to thank senior officials and the rest of the DMR staff for their commitment and dedication. I want, in particular, to thank the Director General, Advocate Sandile Nogxina, who has taken early retirement which is effective at the end of this month. In the fourteen years he has been at the helm of this Department and its predecessor the DME, he has steered this ship with distinction.

I thank you.

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