

Challenges Confronting Coal Mining Operations in Mpumalanga Coalfields

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South Africa

Friday, 16 November 2018

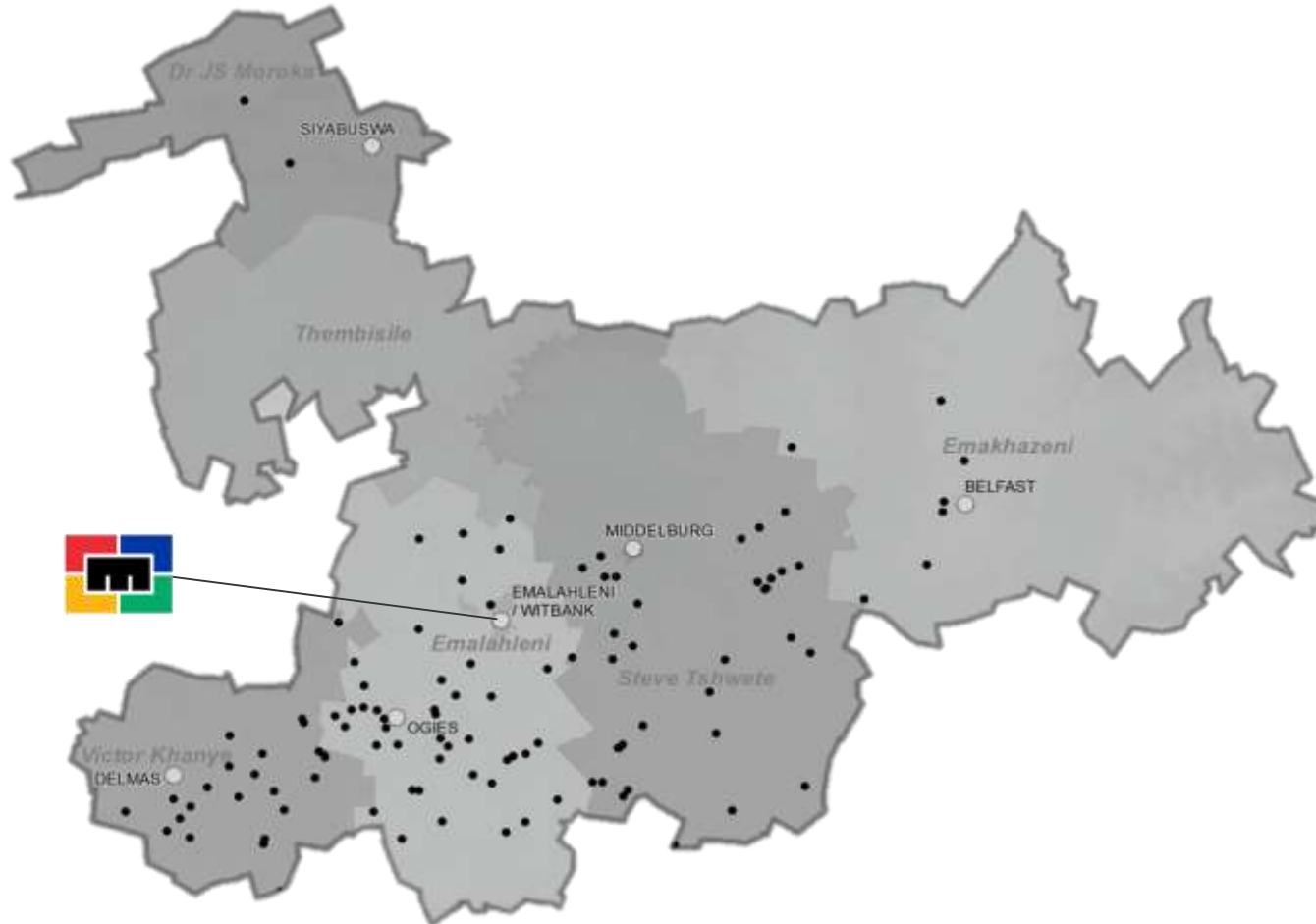
Anglo American Zibulo Colliery, Harambee Hall



Mpumalanga Coalfields

Background and Context

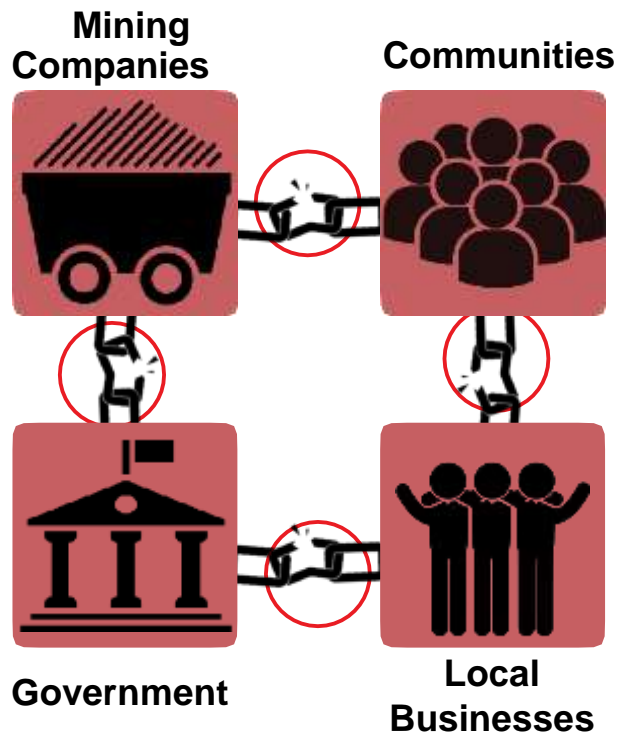
Concentration of coal mining operations in Nkangala



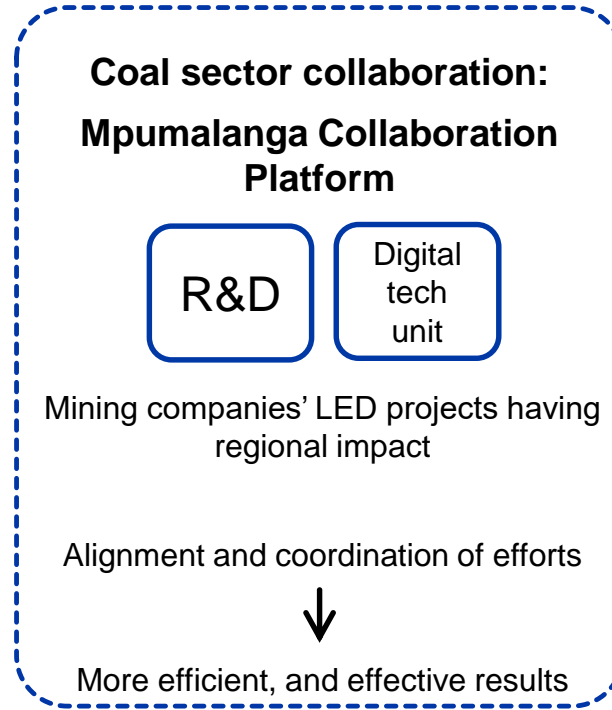
Nkangala district municipality

- Smallest Mpumalanga district in land mass (21% of province surface)
- Second-largest population concentration in Mpumalanga (35%)
- Large concentration of coalfields
- Location of Minerals Council South Africa Mpumalanga regional office

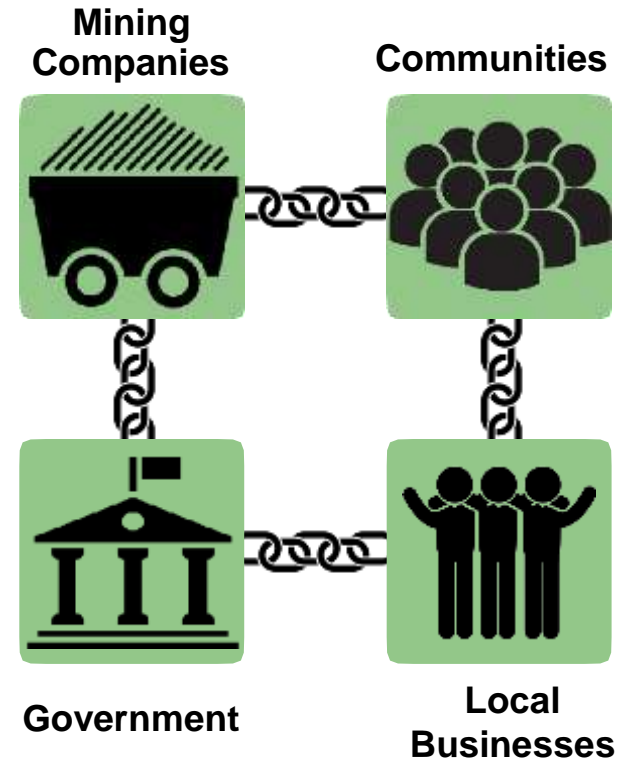
Problem Statement: From Adversity to Prosperity: causal pathway



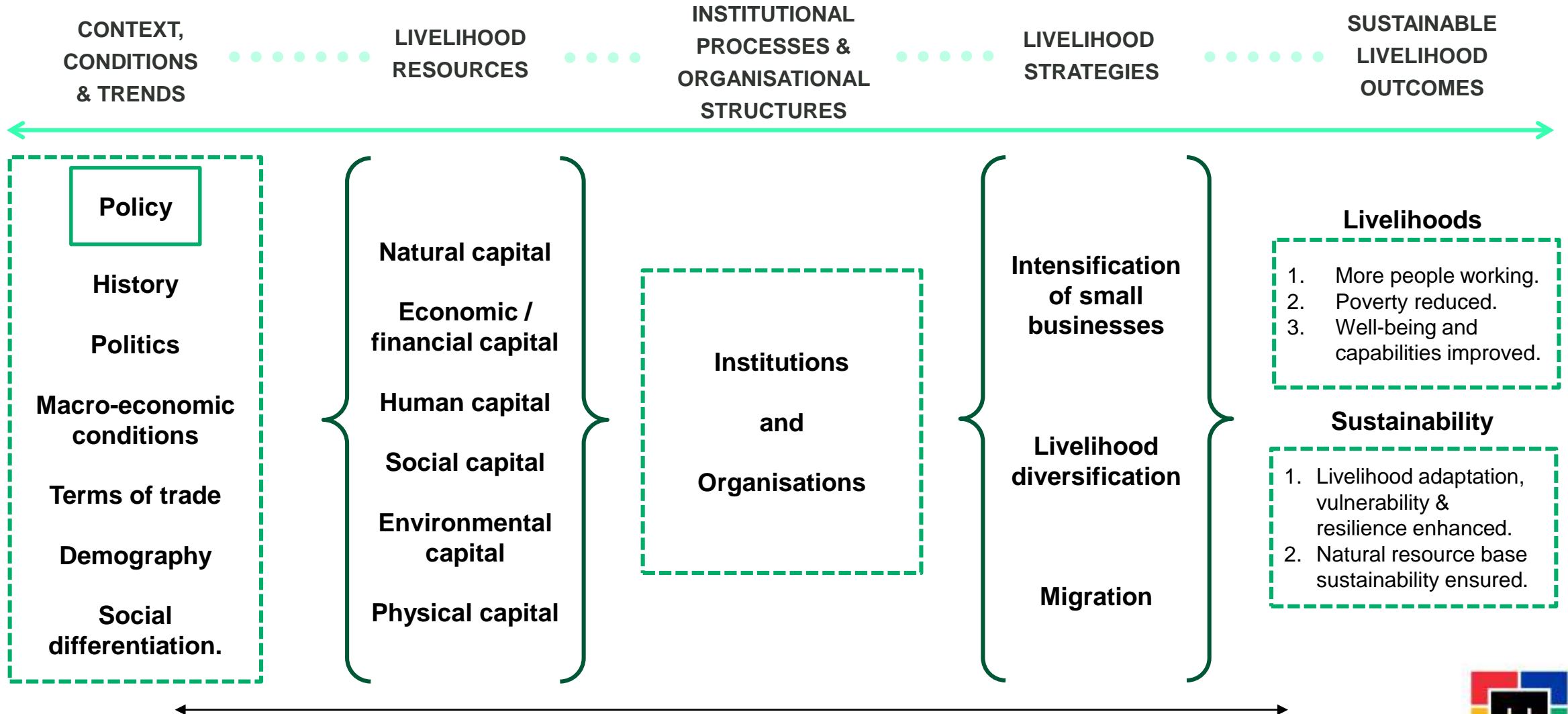
Willing partners
 Anglo-Coal, Glencore,
 Exxaro, South32,
 Mbuyelo, Delmas Coal



+
 Programmes in skills development, SMME development, job creation, economy diversification increase employment opportunities for local communities



Sustainable livelihood framework



Food For Thought

What do we know, about these challenges?

1. **The democratisation of Knowledge and the role of Knowledge in the betterment of society** (*Thabo Mbeki; January 16 2012 Stellenbosch Business School: Donald Rumsfeld*)
 - *“Reports that say something hasn’t happened are always interesting to me because as we know, there are known knows: there are things we know we know. We also know there are known unknowns: that is to say there are some things [we know] we do not know. But there are also unknown unknowns – the ones we don’t know we don’t know. And if one looks throughout the history of our country and other free countries, it is the latter category that tends to be the difficult one.” Thabo Mbeki; January 16 2012 Stellenbosch Business School (Donald Rumsfeld)*

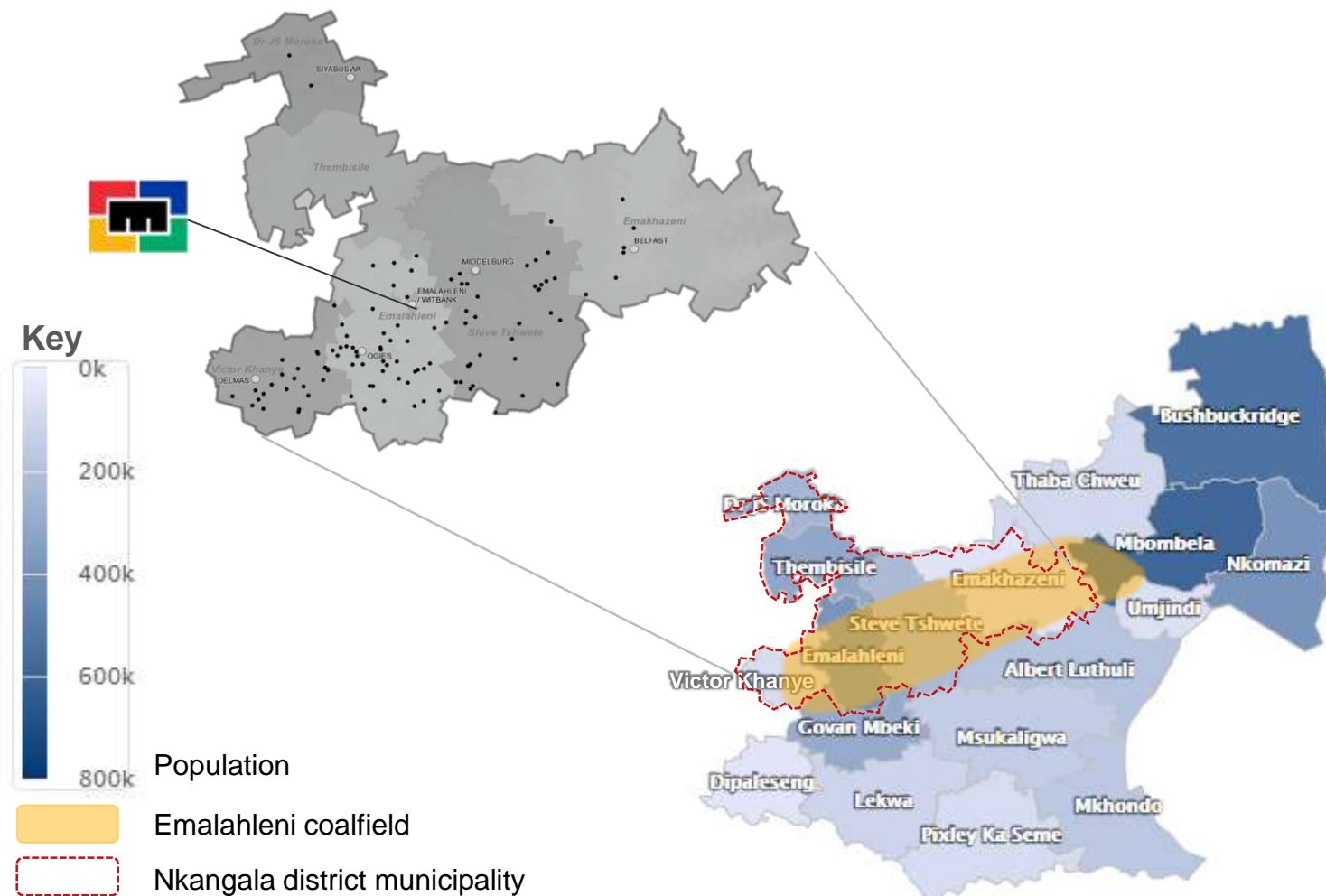
If you think you're too small to make a difference, you haven't spent a night with a mosquito.

- African proverb

Mpumalanga Coalfields

And the mandate

Mpumalanga is host to numerous coalfield operations, which have a direct bearing on the livelihood of 1.3 million people...



Mpumalanga province

- Population not evenly distributed
- Population is mainly located in the North-East
- Mismatch between population and coal concentration

Nkangala district municipality

- Smallest Mpumalanga district in land mass (21% of province surface)
- Second-largest population concentration in Mpumalanga (35%) – 1.3 million people
- Large concentration of coalfields
- Location of Minerals Council South Africa Mpumalanga regional office

Mpumalanga Coalfields: Challenges

Social and civil unrest: Mining affected communities protests

An increase in unemployment in 2018, and youth unemployment is still a challenge

Unemployment rate changes over a year

SOUTH AFRICA



June 2017

June 2018

27,7%

27,5%

MPUMALANGA



June 2017

June 2018

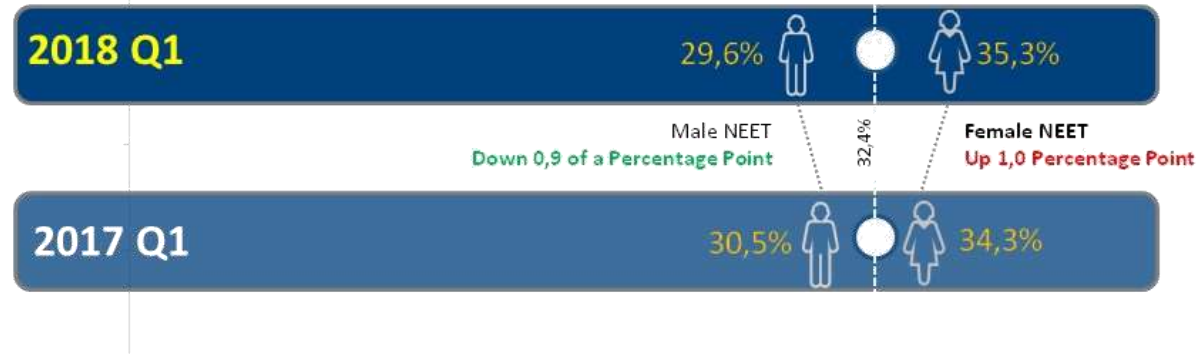
30,7%

32,5%

Not in Employment, Education or Training NEET (15-24 years) by sex

Approx. 3,3 million (32,4%) out of 10,3 million young people aged 15-24, were not in employment, education or training.

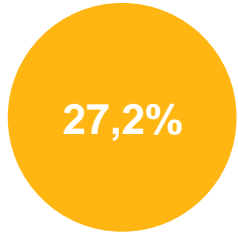
The overall NEET rate remained unchanged in Q1: 2018 compared to Q1: 2017 at 32,4%



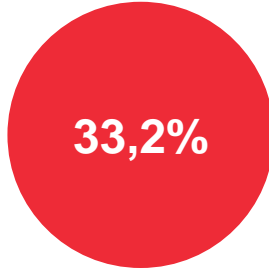
Employment, poverty and inequality situation in Mpumalanga province

Unemployment rate, Q2 2018

South Africa



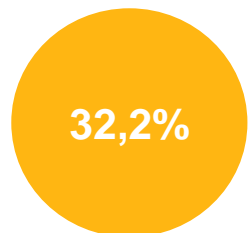
Mpumalanga



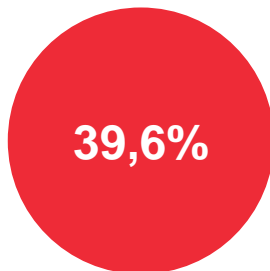
Source: StatsSA

Youth NEET* rate in South Africa, Q2 2018

15-24 years



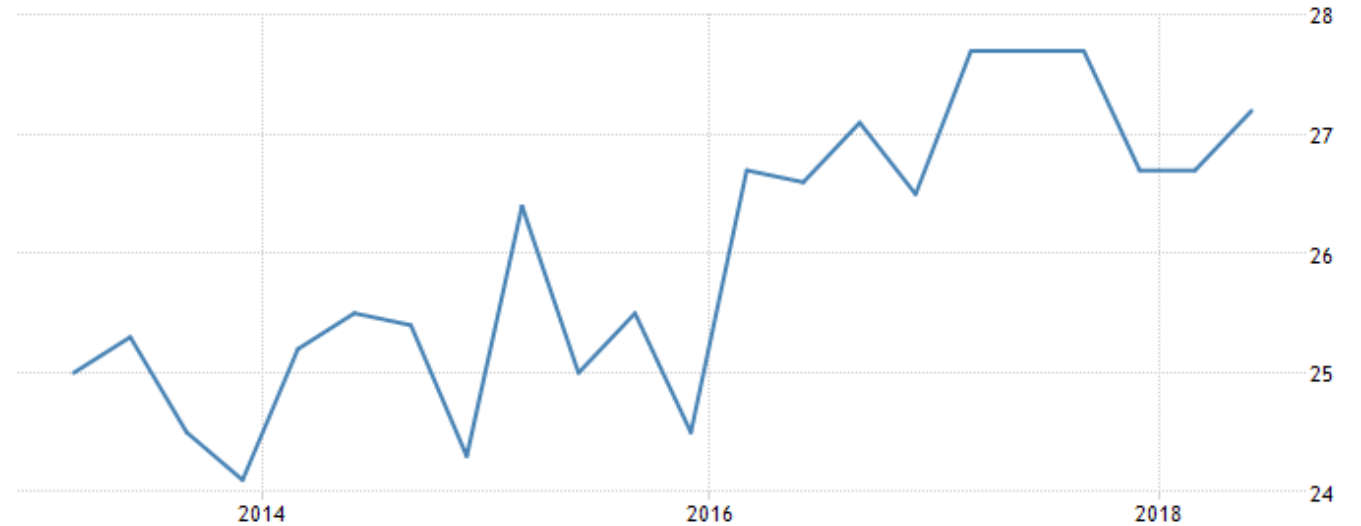
15-34 years



Source: StatsSA

*NEET: Not in Employment, Education or Training

South Africa unemployment rate, 2013-2018



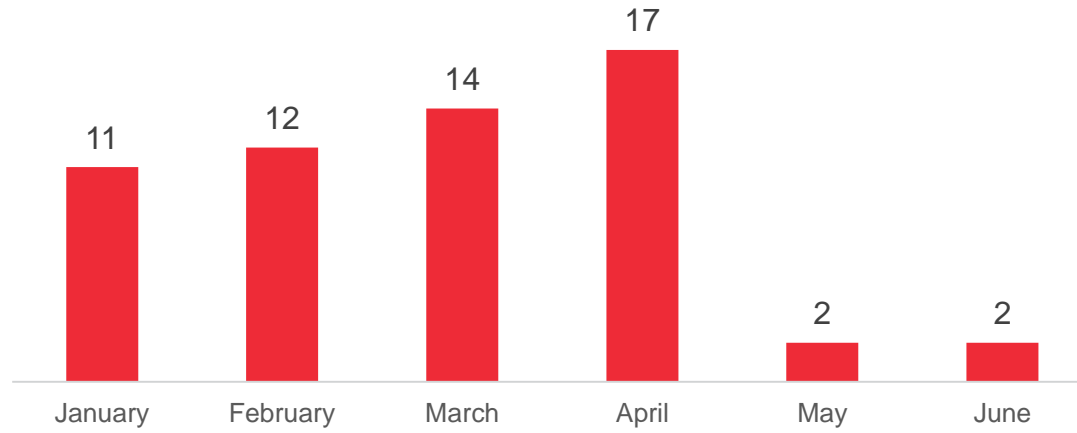
Source: TrendingEconomics.com, StatsSA

Protest data

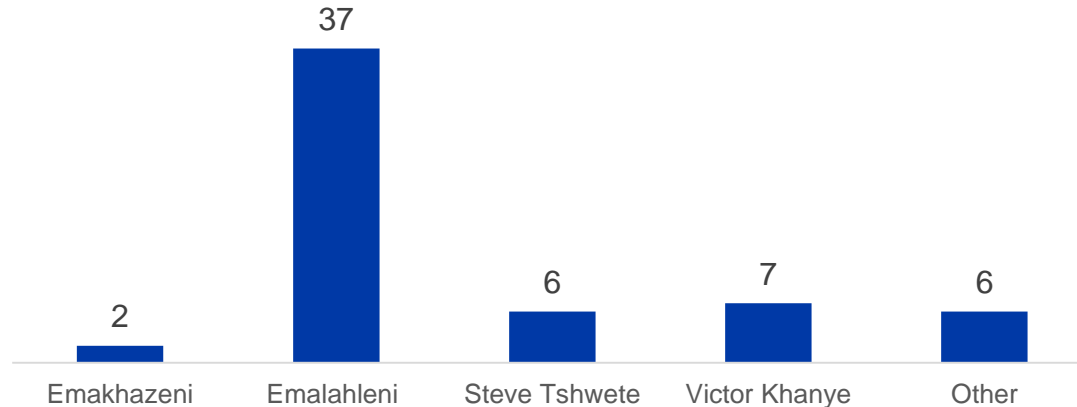
- Since its establishment in **2017**, the Minerals Council South Africa Mpumalanga regional office has been working towards building cohesion in the regional mining sector, opening more effective communication pathways between industry, government authorities and communities, and contributing to industrial peace.
- The worrying increase in protest action, with a specific focus on mining protests, has been noted by industry and government alike, however, it has been challenging to monitor this through reliable, in-depth and comprehensive data.
- In order to address this issue, the Mpumalanga regional office liaised with the relevant colliery representatives in order to obtain from each operation a detailed report of all protests experienced on a month-to-month basis.
- The results from the data received by the regional office have been collated and analysed in the following slides.

Protests in Mpumalanga Coalfields, Jan – Jun 2018

Average number of protest days per month, 2018



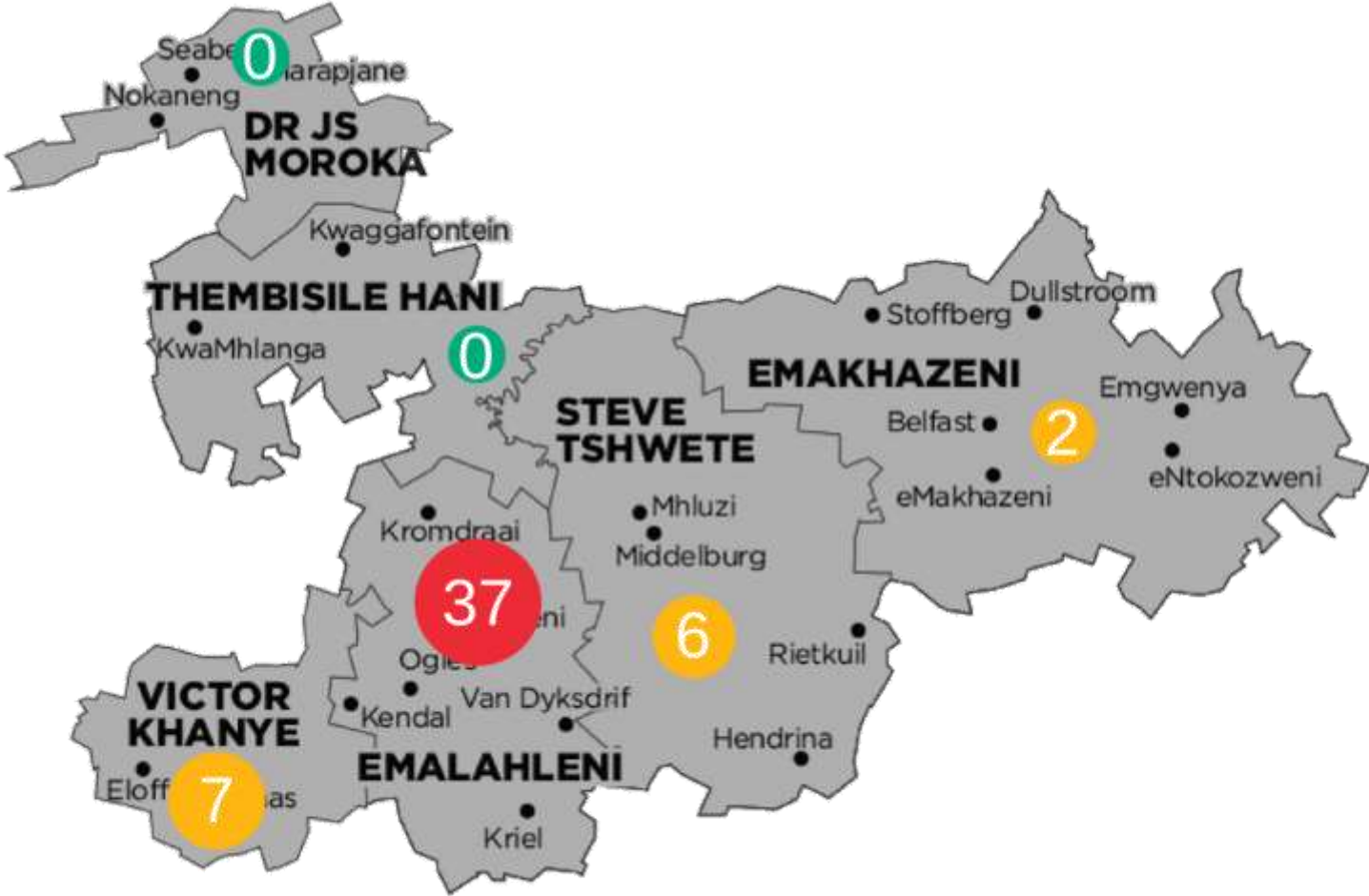
Number of protests per locality



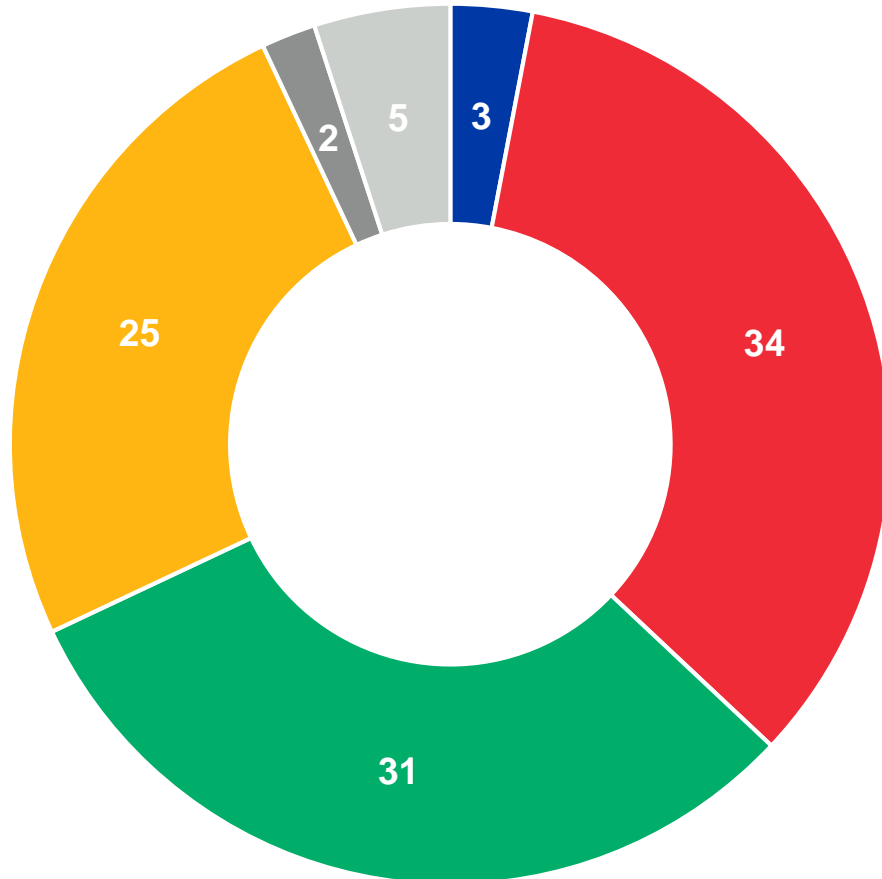
Key Insights

- Currently, the available data, obtained from self-reports by mine operations, seems to be disjointed from the every-day experience of staff on the ground.

Geographical location of protests in Mpumalanga Coalfields, Jan – Jun 2018



Reasons for protests



- Jobs for youth
- Local business procurement
- Contractor employment
- Skills development
- Representation in engagement forum
- Other / Not mentioned

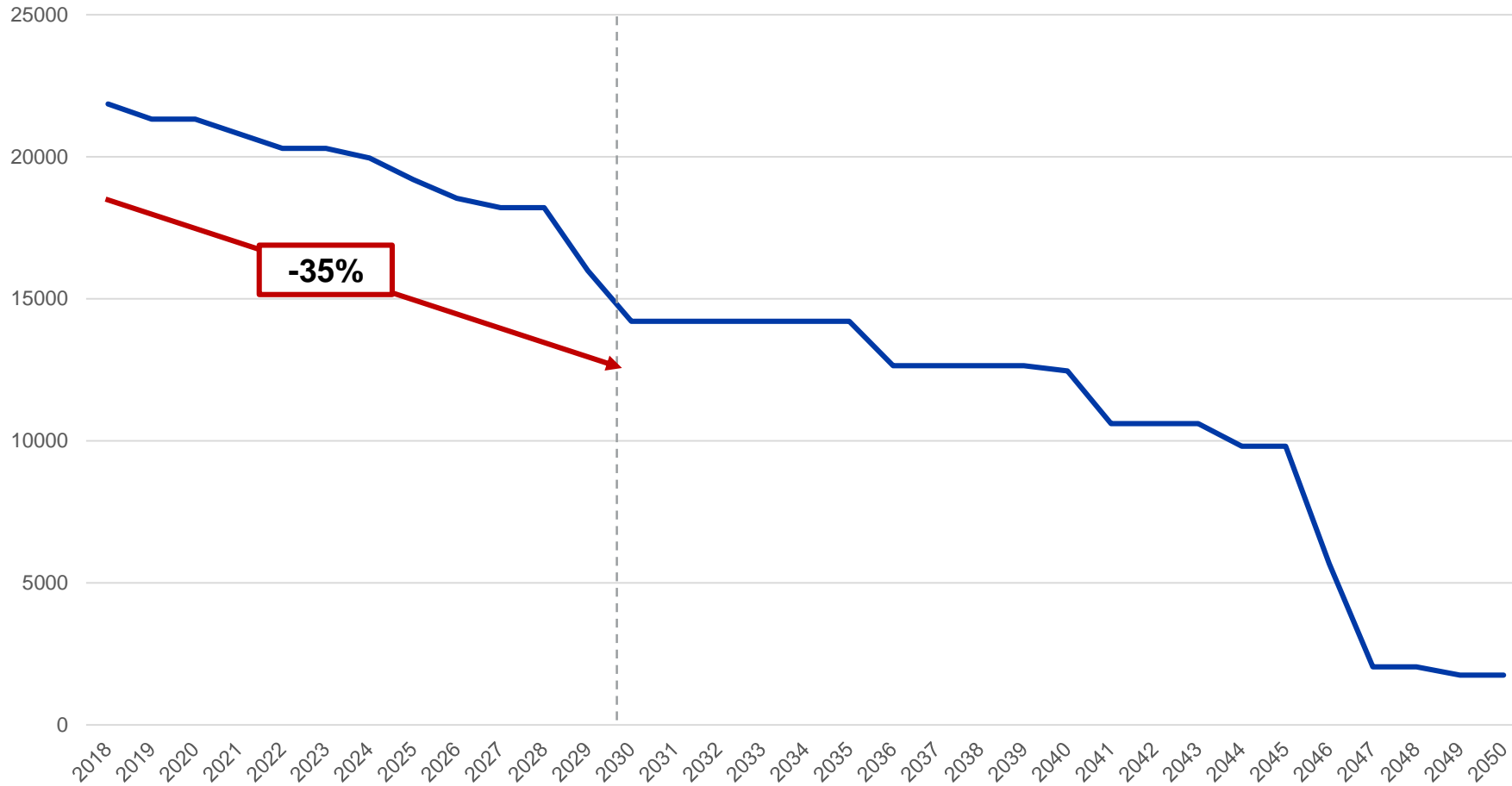
Key Insights

- Procurement opportunities specifically are the key element driving protest action
- There are indications that these protests are instigated by specific individuals and groups who manipulate local communities into causing operational disruptions

Mpumalanga Coalfields

Employment and skills levels: context

Potential job losses with decline of coal operations in Mpumalanga



Key Insights

Rate of decline of employment:

- 35% in 12 years (2018 - 2030)
- 92% in 32 years (2018 – 2050)

2018-2030:

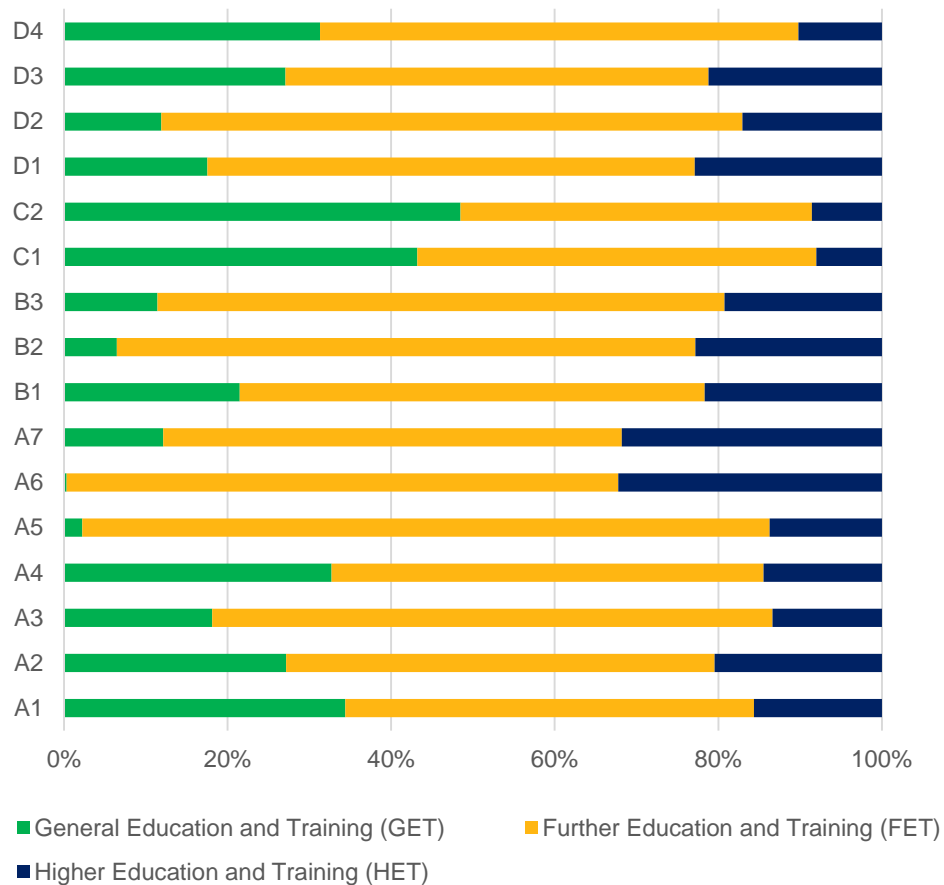
- Average of 638 workers exiting employment per year

NB: Job losses projections extrapolated from amount of employees per mine at time of SLP publication and estimated year of closure per mine. Factors such as retrenchment and redeployment plans, new mines opening, job creation programmes, enterprise development interventions, among others will affect these figures.



The employment losses will mostly affect workers with non-HET levels

Education level profile of employees



GET
No Schooling /
Unknown - Grade 9
/ Std 7 / ABET 4

Those with GET level will have to first enrol in an ABET programme, **more likely to do well in technical rather than academic programmes** such as carpentry and bricklaying or enterprise development.

FET
Grade 10 / Std 8 /
N1 - Grade 12 / Std
10 / N3

Majority of workers have FET level, which encompasses grade 10 to Matric. Most learnership/ apprenticeship programmes require N2/Matric minimum for entry therefore **most are eligible for re-skilling to become artisans and technicians.**

HET
Diplomas /
Certificates /
Doctorates

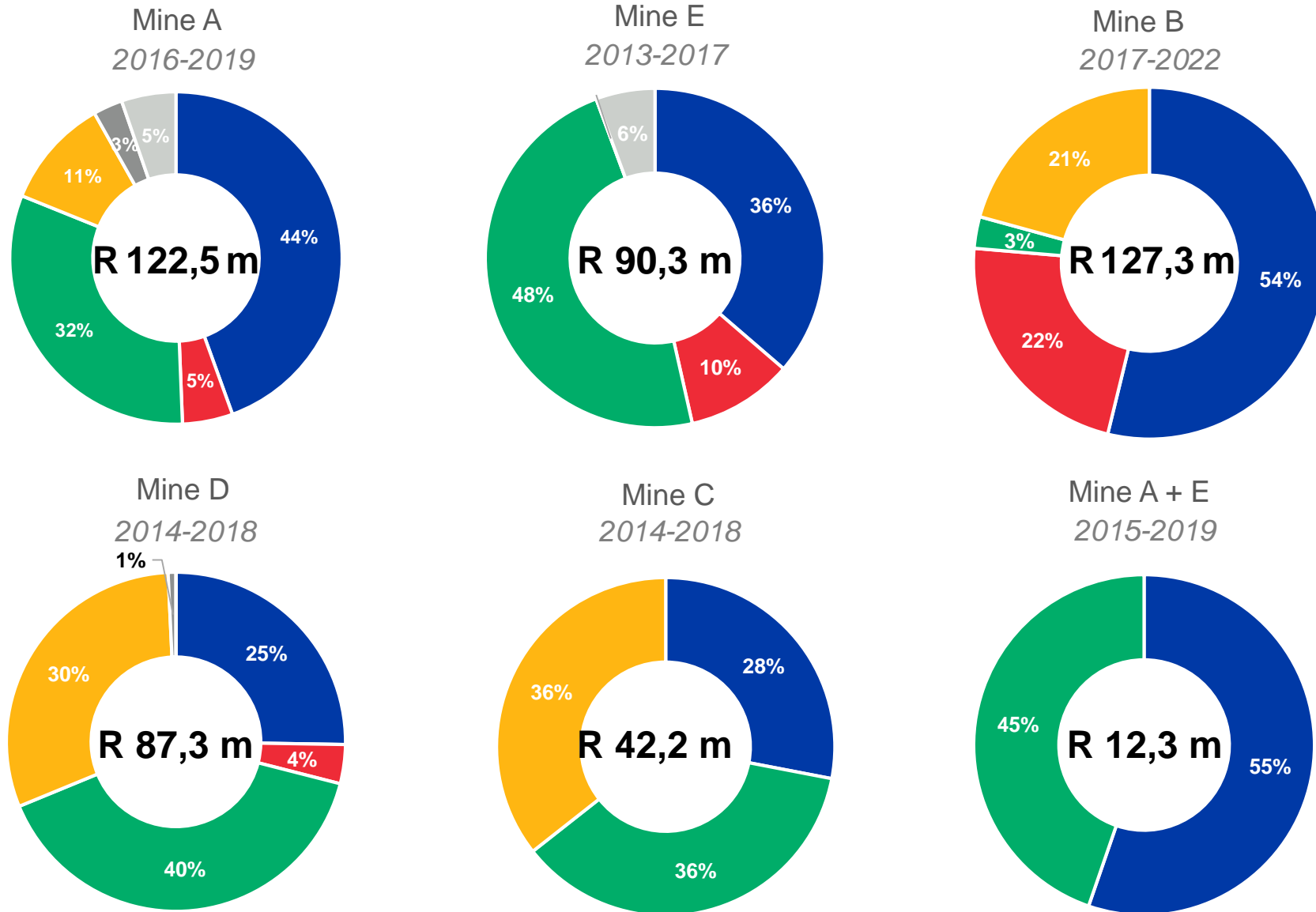
Those with HET level, which includes diploma to doctorate qualifications, can partake in career development programmes, more likely to find jobs elsewhere after mine closes. **Roles such as engineers and managers are easier to redeploy.**

Source: SLPs (27 mining operations in Mpumalanga) / team analysis

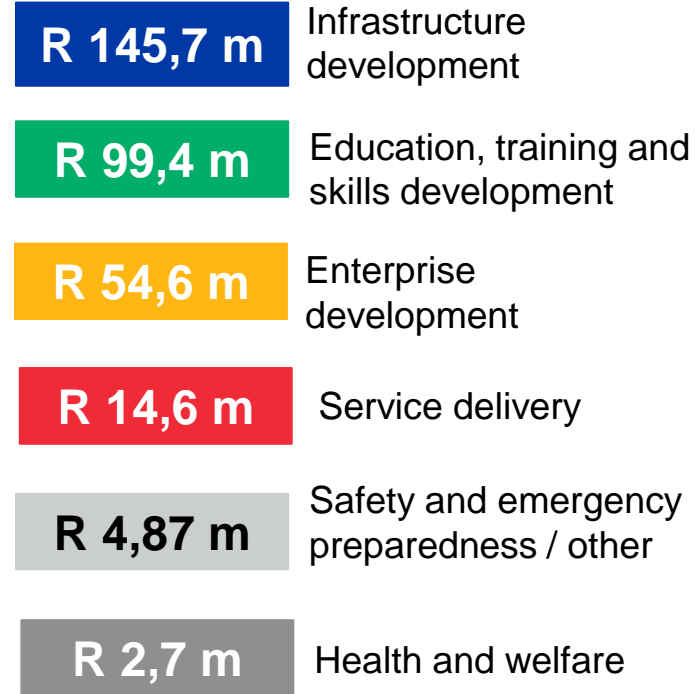
Mpumalanga Coalfields

Mining companies Local Economic Development
expenditure

While there may be a mismatch between SLPs and community needs

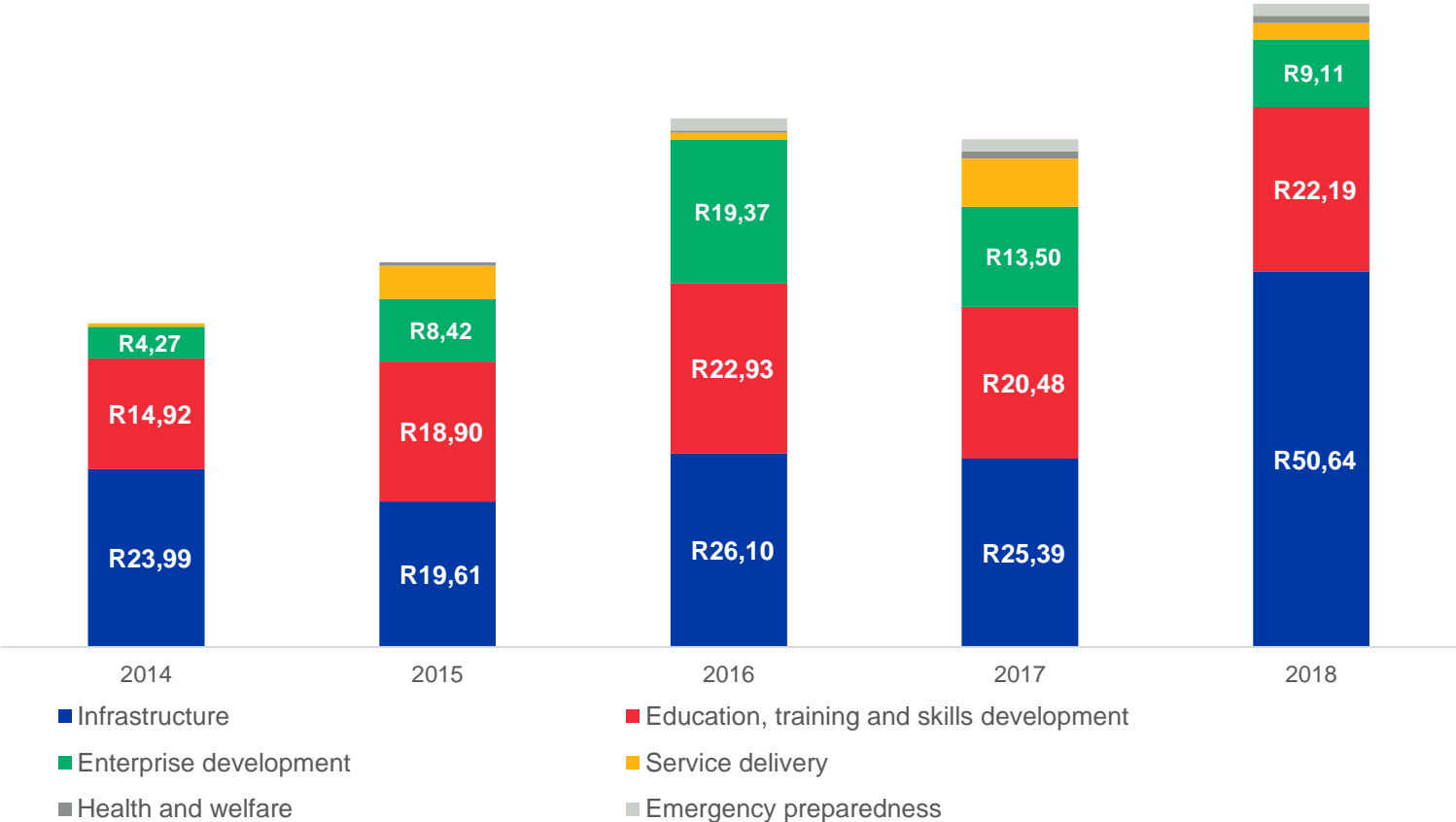


Total expenditure per category:



Mining companies LED expenditure priorities

LED expenditure per category, per year 2014-2018, Rm



Key Insights

- Total LED expenditure from 2014 to 2018 of **R330m**
- Only infrastructure expenditure is growing over time
- SLP cycles create irregular investment patterns, making direct SLP collaboration time-dependent

Only 2014 to 2018 included as most statistically significant data

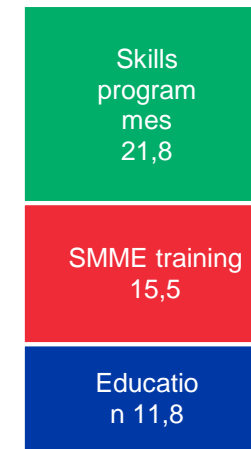
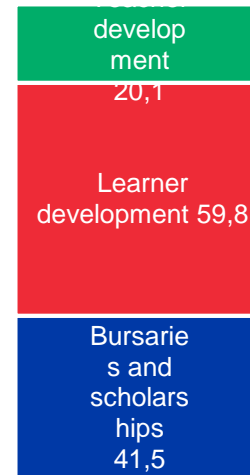
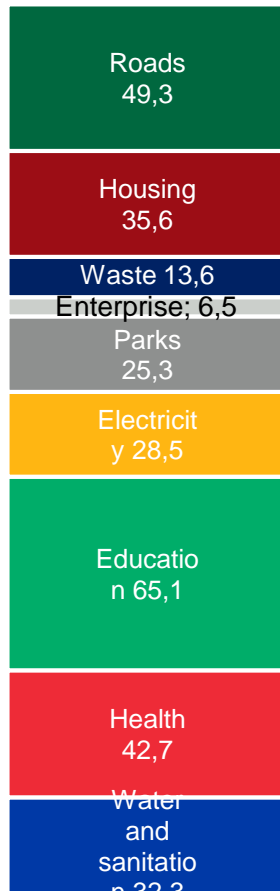
LED expenditures: breakdown per category

Infrastructure (Rm)

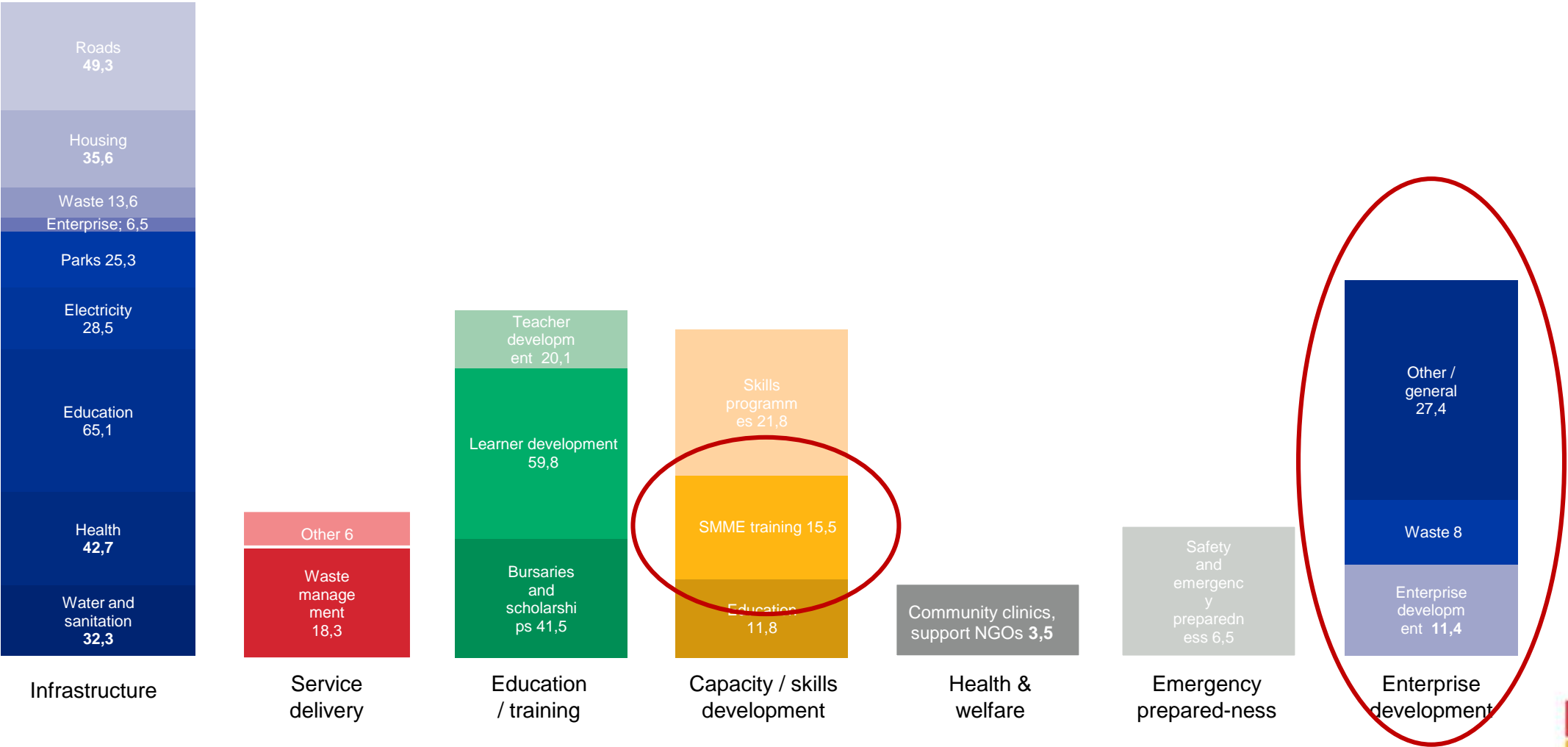
Service delivery (Rm)

Education and training (Rm)

Capacity and skills development (Rm)



The SLPs respond to IDP-related projects, while communities may have different expectations directly to mining firms



Source: SLPs (27 mining operations in Mpumalanga) / team analysis

The gap between expectations of communities, and the significant effort put in by mining firms, will remain a contributor to social tension

- Mining activity in the Mpumalanga Coalfields region will play a less important role, over the long term, in terms of economic outputs and employment
- Communities are looking to the public sector to provide social and public infrastructure, while they look to the mining companies to provide economic opportunities
- Mining firm expenditure is tightly connected to the IDP system, and this does not always address the expectations that communities place on mining firms
- It is probable that unless a shift in focus towards economic empowerment is successfully implemented, achieving industrial peace will be difficult

Mpumalanga Coalfields: Part Of The Challenge

Financial performance by local municipalities in Nkangala

Financial performance of Municipalities: AGSA results 2013-2017

	2012/13	2013/14	2014/15	2015/16	2016/17
<i>Nkangala DM</i>	Financial unqualified audit opinion	Financial unqualified audit opinion	Clean audit outcome	Clean audit outcome	Clean audit outcome
<i>Dr JS Moroka</i>	Qualified audit opinion	Qualified audit opinion	Qualified audit opinion	Qualified audit opinion	Qualified audit opinion
<i>Emakhazeni</i>	Qualified audit opinion	Disclaimer of audit opinion	Disclaimer of audit opinion	Qualified audit opinion	Qualified audit opinion
<i>Emalahleni</i>	Disclaimer of audit opinion	Disclaimer of audit opinion	Disclaimer of audit opinion	Disclaimer of audit opinion	Qualified audit opinion
<i>Steve Tshwete</i>	Clean audit outcome	Clean audit outcome	Financial unqualified audit opinion	Clean audit outcome	Financial unqualified audit opinion
<i>Thembisile Hani</i>	Qualified audit opinion	Qualified audit opinion	Qualified audit opinion	Qualified audit opinion	Financial unqualified audit opinion
<i>Victor Khanye</i>	Qualified audit opinion	Qualified audit opinion	Qualified audit opinion	Qualified audit opinion	Qualified audit opinion

Clean audit outcome	Financial unqualified audit opinion	Qualified audit opinion	Disclaimer of audit opinion
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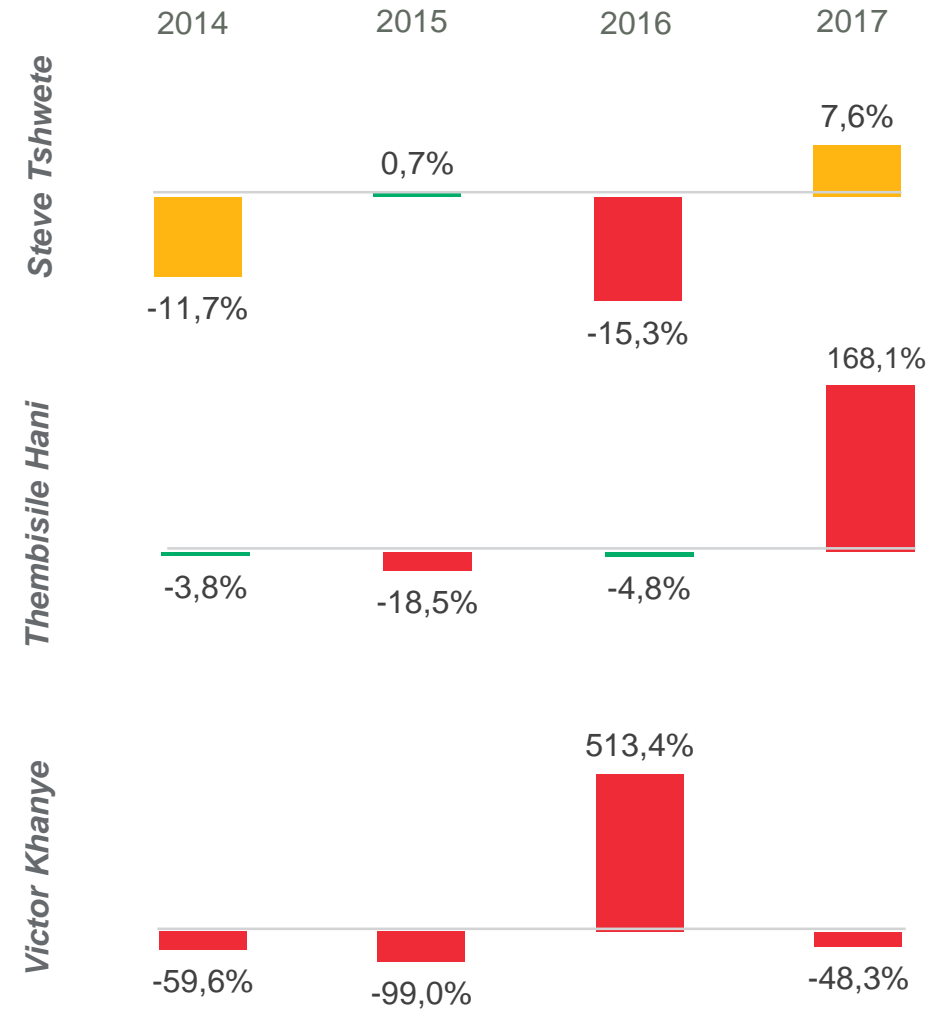
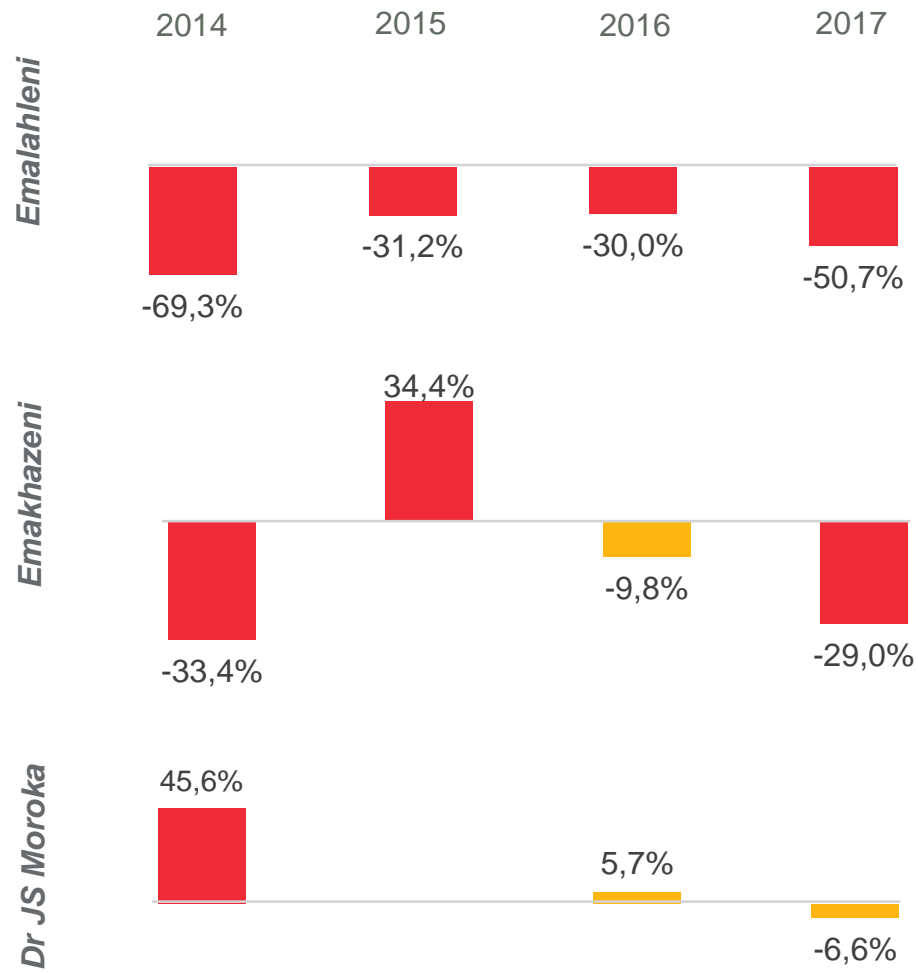
Key issues:



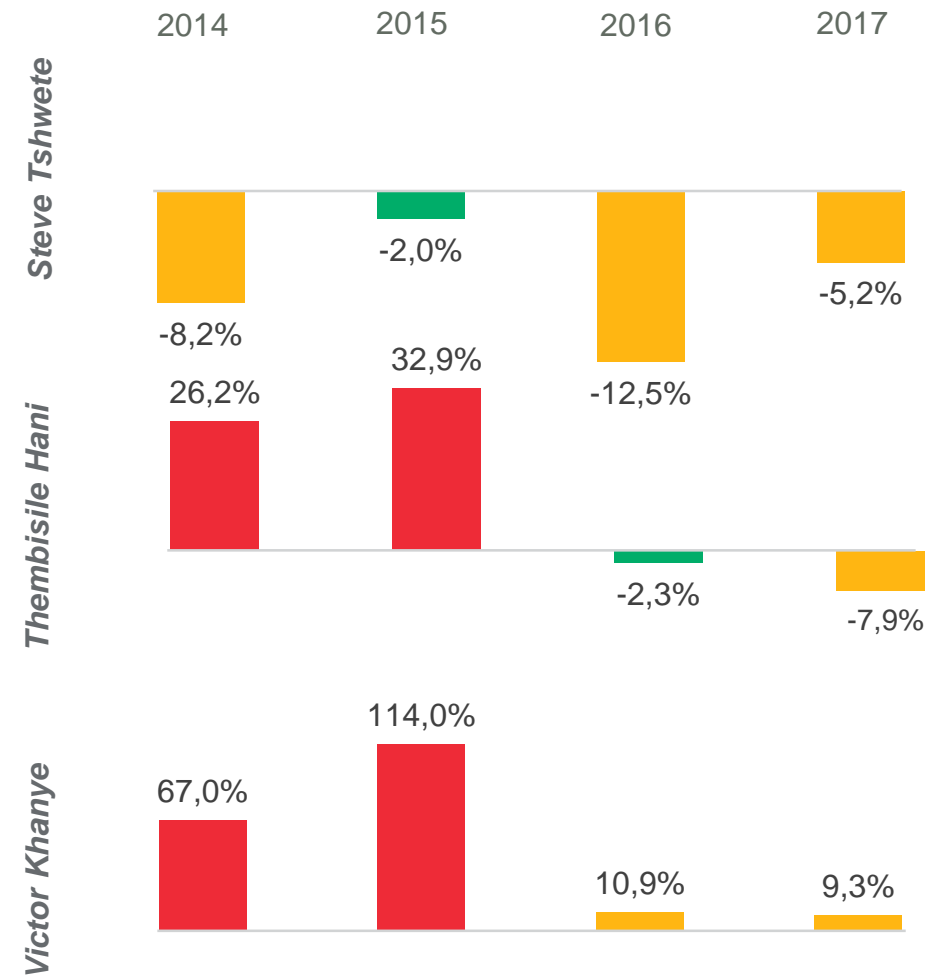
Key issues found by Auditor General SA in these municipalities (except Steve Tshwete):

- Unauthorised, irregular and/or wasteful expenditure
- Procurement management
- HR management
- Revenue management

Financial performance of local municipalities: spending of capital budget

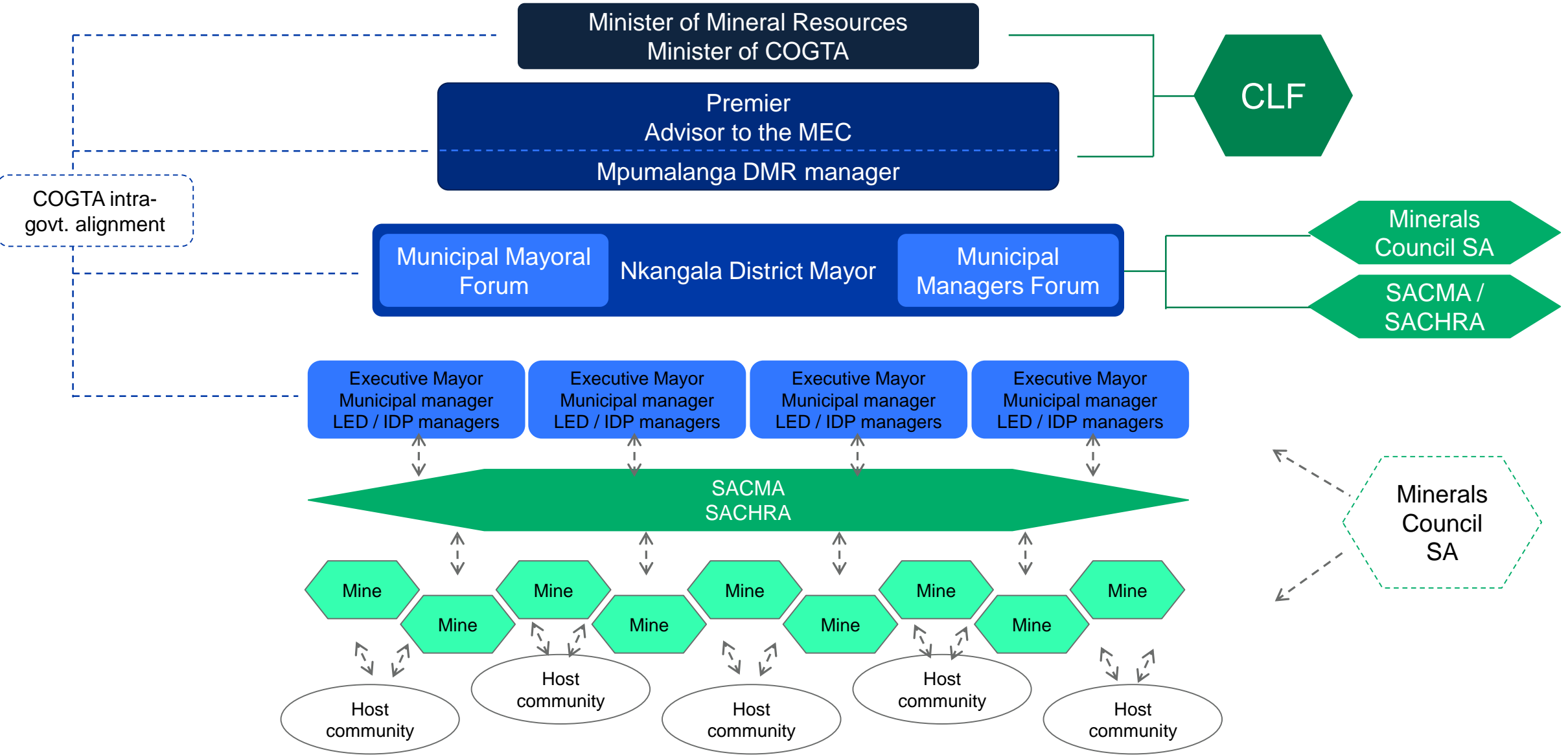


Financial performance of local municipalities: spending of operating budget

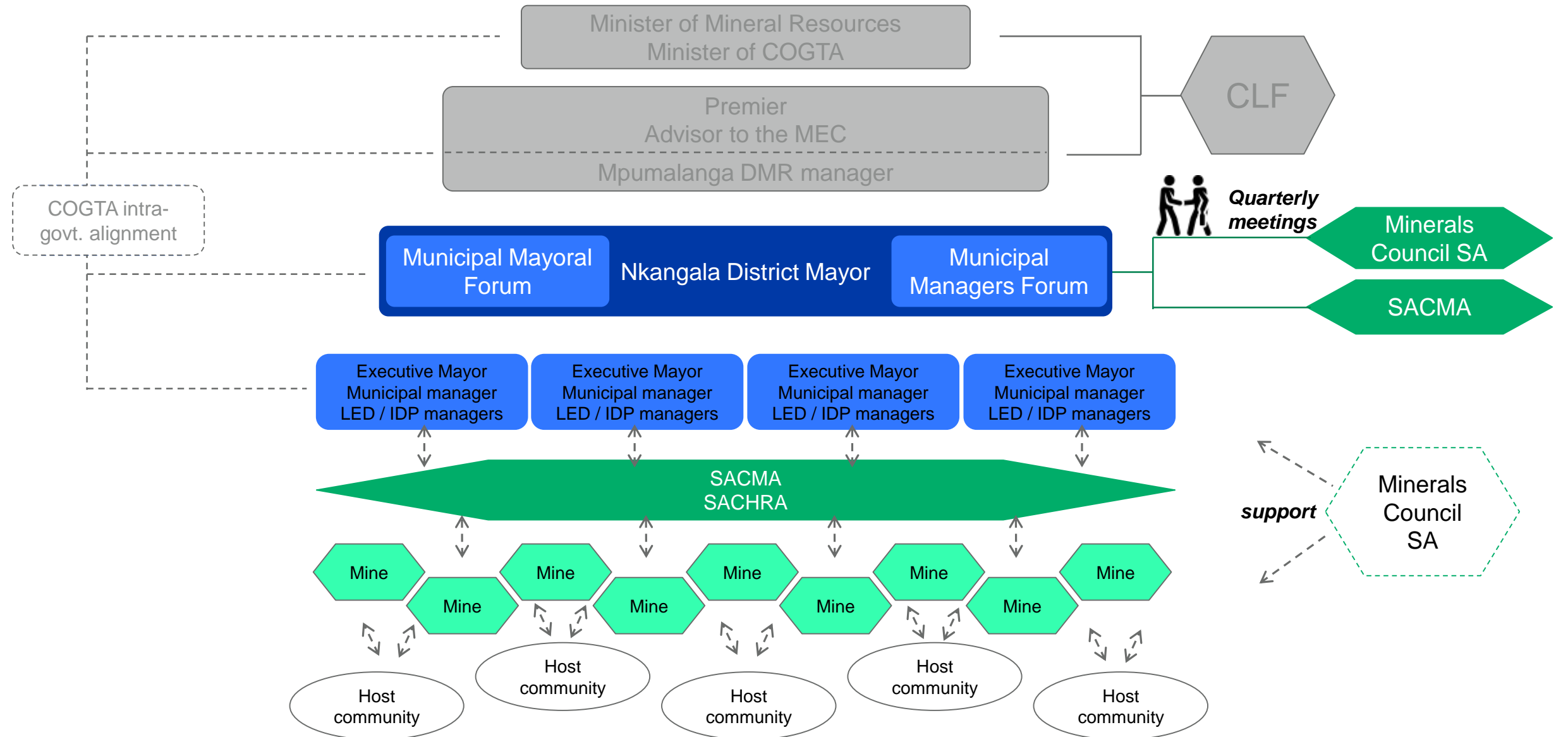


Possible Solution?

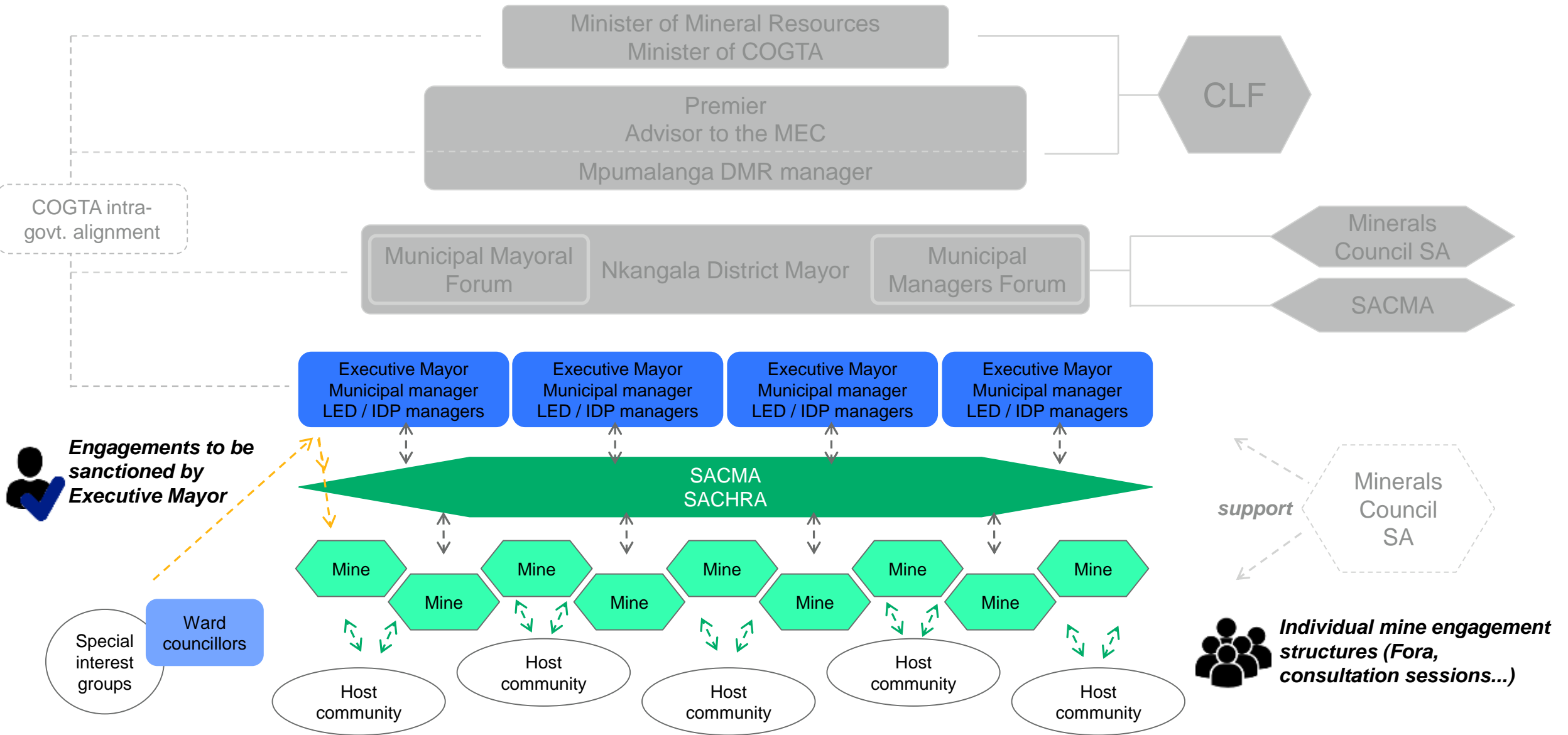
Draft proposed institutional engagement process to enable stabilisation and improved stakeholder relations



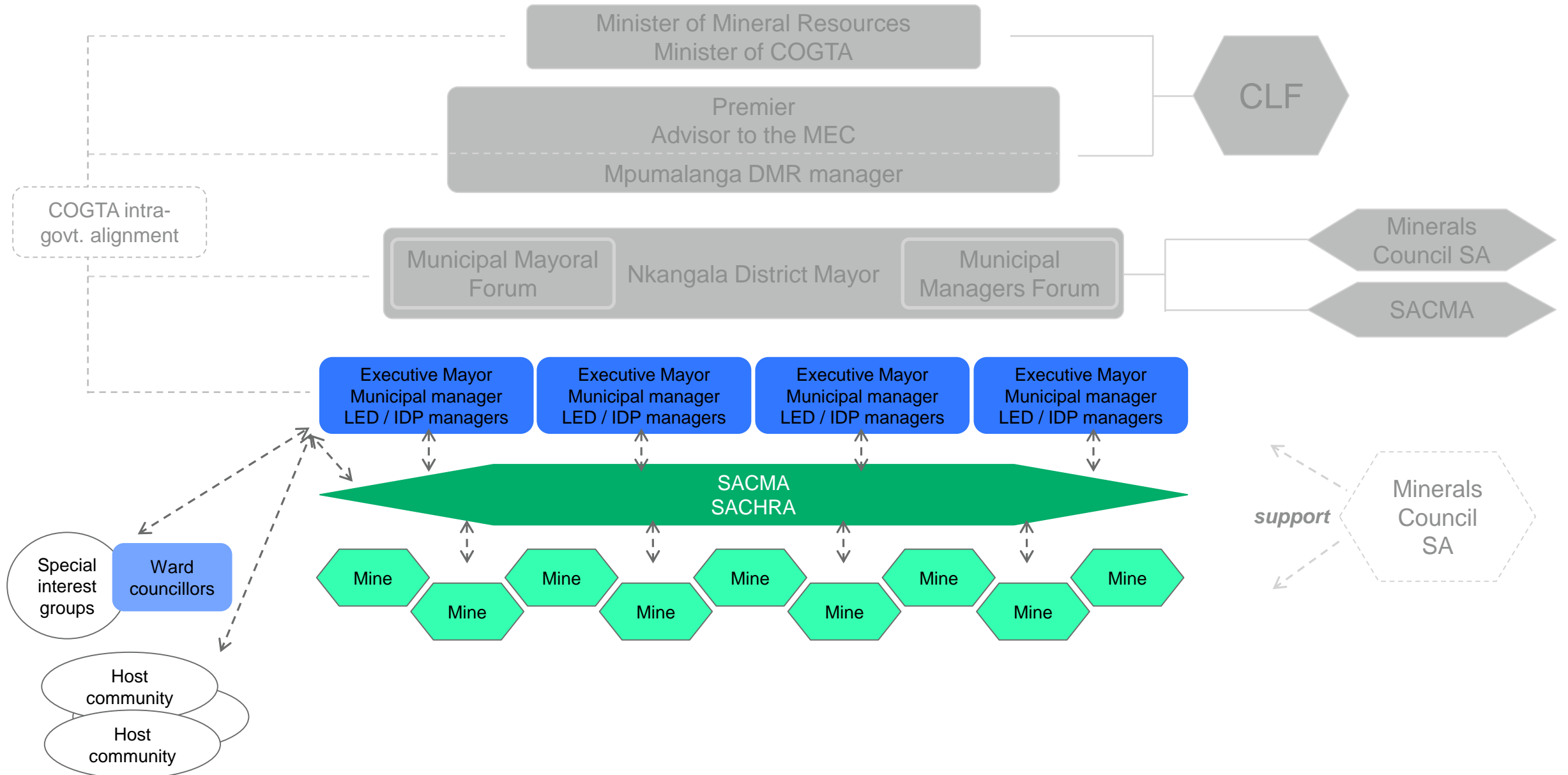
Institutional engagement process | Operational engagements



Institutional engagement process | Community engagement option 1



Institutional engagement process | Community engagement option 2



When there is no enemy within, the enemies
outside cannot hurt you.

- African proverb

When spiders unite, they can tie down a lion.

- Ethiopian proverb



Thank you

01 August 2018

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