

Business

Platinum bust batters Rustenburg

Several issues have hamstrung the effectiveness of the mining companies' community investment

Lisa Steyn

The three largest platinum mining companies in Rustenburg had invested 14 times more than the government in health and 60 times more in housing, and were responsible for 50% of all direct jobs and 68% of local gross domestic product (GDP) by the end of the platinum boom in 2011.

But as the lifeblood of Rustenburg dries up, with commodity prices in a rut, it will have a serious effect on the area's economy.

These are the findings of a recent study by the advisory firm, Eunomix, on the effect of platinum mining in Rustenburg, an area "dangerously dependent" on mining.

In 2013, Anglo Platinum, Impala Platinum and Lonmin invested a combined R1.2-billion in housing programmes, R171-million in health programmes, R370-million in local infrastructure and R139.8-million in training and education programmes.

In the cases of health and housing, this was substantially more than the local government, but, even so, it was not enough to cater for the needs of

the burgeoning population.

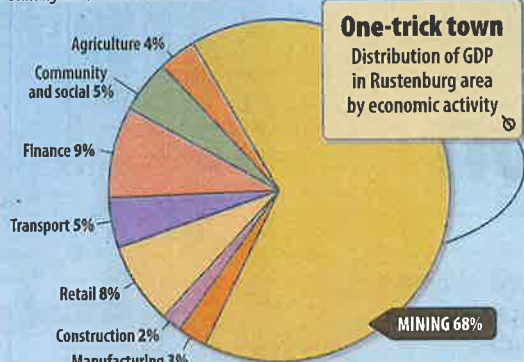
Before the 2012 strikes — notorious for the Marikana massacre during which 34 striking miners were killed by police gunfire — Rustenburg had the third-fastest growing economy out of the eight metropolitan municipalities in South Africa. In 2012, Rustenburg contributed about 4.9% of South Africa's GDP. According to the 2011 census, its population grew by 3.5% from about 387 000 inhabitants in 2010 to 550 000 in 2011.

"Due to the fact that most of the data is about three years old, with the added problem of a significantly altered landscape post-strikes, we found notable discrepancies between our data-driven analysis and our qualitative research based on field visits to the region," the Eunomix researchers said.

The continued dependence of the local economy on mining was clear during the 2012 and 2014 strikes, when mining production came to a standstill. "Up to 80% of local businesses came to the brink of collapse, while the municipality's deficit rose to R423-million."

Even at the height of the mining boom, the majority of Rustenburg's

Some figures have been rounded off



Graphic: JOHN McCANN Data source: EUNOMIX (RUSTENBURG MUNICIPALITY, 2011)

population had not benefited because of the many underlying structural socioeconomic problems, the report found. These include problems relating to health-care, education, crime and migrant labour, resulting in an abnormally high concentration of young men, which contributes to high levels of gender-based violence.

From 2001 to 2011, there was also a 49% increase in the number of HIV-infected people in Rustenburg, and

health problems among mine workers include tuberculosis, malnutrition and respiratory illnesses, the Eunomix report said. Other interviewees noted high levels of substance abuse. But the health facilities are not sufficient to meet the local population's needs.

Only 31% of Rustenburg's residents aged 20-plus have completed high school. Eunomix researchers reported overcrowded schools and a shortage of basic schooling infrastructure. The housing backlog was estimated at 59 000 units in 2011.

Then, unemployment was 26.4% and youth unemployment was 35% — 24% of households were living on less than R600 a month. The poverty level was almost 62% — higher than the national rate.

Income inequality was substantial and racialised, with poverty highly concentrated among black Africans. "This marked inequality — combined with the high poverty rates — is a challenge to the local community's social cohesion and issues of social justice," the report said.

The crime rate increased by 37% between 2010 and 2013.

The Eunomix report said inadequate local governance compounded many of the structural issues, because "public service delivery suffers from a mismanagement of local public finances, a lack in government capacity and expertise, and questionable policy decisions".

A 2013 report on Lonmin by the Bench Marks Foundation and an independent nongovernmental

organisation, mandated by churches to monitor the investment practices of multinational corporations, found that Lonmin, the world's third-largest platinum producer, failed to address the housing crisis of its employees. It built very few houses and managed to transfer even fewer to mineworker ownership.

The foundation also found Lonmin had made little or no progress in dealing with its environmental impact over 10 years, with sulphur dioxide emissions only starting to decrease in 2011 but at the expense of ground pollution.

Dust emissions continued to exceed statutory limits.

"What we, as the Bench Marks Foundation, find in practice is a company intent on extracting minerals at the cost of communities' health and welfare, with serious social problems the consequence of its lack of social responsibility," it said in its report.

In a formal response, Lonmin acknowledged that, in some areas, its strategies, planning and execution had not been optimal. "However, we maintain that our operations have — and will continue to have — a positive impact on our employees, communities and country, and that there are many successes to celebrate," the company said.

Eunomix's report said the three companies don't have the same approach to reporting taxes paid. Impala Platinum was the only one that has a breakdown of this information, it said.

The tax affairs of Lonmin, in particular, have come under scrutiny after it emerged it had moved millions of rands to Bermuda, a low-tax jurisdiction.

But the company denied allegations of tax evasion, which, unlike tax avoidance, is illegal. It said it pays tax fully and properly in all the jurisdictions in which it operates.

In its report, Eunomix said sustainability investment could be better directed to address the issues that arise from the structural problems it outlined. "This may become even more critical in the following years, as the industry responds to the commodity price drop."

Eunomix recommended that those involved in the industry should coordinate their sustainability projects better, and more co-operation between government and the industry is needed.

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Mines back in the money

For much of 2011, the platinum price was more than \$1800 an ounce. With prices as high as they were from 2008 to 2011, and a higher demand forecast, major platinum mining companies ramped up production. But the expected pick-up did not materialise and they eventually oversupplied their own markets.

With much of the global economy in recession, and the unexpected slowdown in China, commodities prices have hit prolonged lows. Commodity-producing countries such as South Africa are feeling the effects.

According to the Quarterly Employment Survey released by Statistics South Africa last week, between December 2014 and December 2015, 29 000 jobs have been lost in the mining industry. The latest Johnson Matthey

PGM market report, in November last year, found that the global market is expected to remain in deficit into 2016, as a strong automotive, industrial and investment demand will outweigh a drop in purchases by Chinese jewellers, lifting gross demand to 8.3-million ounces.

A recovery in platinum supplies from South Africa, rising to a four-year high, will be partly offset by a drop in platinum recycling, leaving the market in a fundamental deficit.

In January this year, platinum reached lows of \$816 an ounce. But, at its current market price of more than \$950, producers can turn a profit.

The recovery will be too late for some because the major producers in Rustenburg have closed some of their shafts. — Lisa Steyn