

SECURITY CHALLENGES IN MINING



**MINERALS COUNCIL
SOUTH AFRICA**

#MiningMatters

Implats - UG2 Concentrator



Security issues severely impact the mining sector and its stakeholders and lead to:



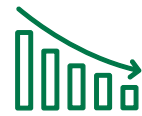
Safety, health and environmental impacts



Families and communities affected



Taxes and royalties lost



SA's reputation as investment destination tarnished

Among the many challenges faced in the mining industry, a range of security issues has grown significantly in their impacts in recent years. The consequences have been the tragedies of human loss as senior managers, security staff and others have been murdered simply for attempting to carry out their work honestly and with integrity. There are also losses of investment, production, employment, taxes and royalties. This all deserves a comprehensive examination.

There are six significant security issues facing the mining sector, often inter-linked and inter-dependent. These are:



Organised armed attacks on mines and precious metals facilities. These gangs have links to organised crime and in some cases are globally connected criminal syndicates.

Illegal mining, both at existing mining operations and derelict and ownerless mines, and dumps.



Product and infrastructure theft on mines and of material in transit.

Community unrest and operational disruptions, which are sometimes violent.



The impact of corruption and coercion relating to procurement or, as it is otherwise termed, - the procurement mafia.

The opportunity cost of infrastructure downtime, relating to the criminal behaviour.



ARMED ATTACKS

Armed attacks on precious metals facilities such as gold plants grew in recent years a reached a peak in 2019 and the beginning of 2020 when the industry experienced 22 armed attacks on mining operations and plants, some of which resulted in fatalities.

Member companies have reported attacks on their mines by large groups of heavily armed assailants who have engaged in gunbattles with mine security,

The modus operandi of these attacks tended to be very well planned, targeted, organised and executed in a professional military fashion.

The attackers often carried AK-47, R4 and R5 assault rifles.

These incidents were not limited to precious metals operations. In Limpopo, mine security saw illegal chrome miners hiring their own security guards who used assault rifles to attack the mining security team, Department of Mineral Resources and Energy (DMRE) and the South African Police Service (SAPS) members who were investigating illegal mining incidents.

These criminal activities appear barely unabated as companies invested significant resources in countermeasures, including additional security and surveillance.

Mining companies have increased spending on internal security by R2.5 billion rand to protect their employees and assets.



ENFORCEMENT CONSTRAINTS

- There are no specialist police units that deal with illegal mining and mine-security issues, which hampers police ability in addressing these issues
- There are gaps in existing legislation to effectively combat illegal mining, resulting in these types of crimes being dealt with as misdemeanours such as trespassing, carrying an insignificant penalty.
- There have been few arrests of powerful figures higher up in the criminal syndicates.



ILLEGAL MINING

Illegal mining takes place both at existing operations and at derelict and ownerless mines, which fall under the responsibility of the Department of Mineral Resources and Energy. Illegal mining is a highly organised system, involving international crime syndicates unafraid to use violence, murder and intimidation to gain and secure their activities and fend off rival gangs. The consequences for communities is devastating.

Illegal miners themselves risk life and limb for paltry income. They will often stay underground for weeks at a time, having created an entire supply infrastructure underground.

The unregulated underground environment is extremely dangerous because there is no adherence to the Mine Health and Safety Act, while heavily armed gangs often engage in violent confrontations and gun battles with each other and mine security for dominance in turf wars.

The injury and death count is enormous - Mine Rescue Services (MRS) has rescued more than 200 people from hazardous underground situations in the past decade, with the bodies of more than 130 people recovered over the same time period.

And these are just the people we know of and do not include those who have been recovered by the illegal miners themselves.

It has been the case that the MRS volunteers have encountered violence from heavily armed illegal miners, or simply have to watch while the individuals they have risked their lives to rescue simply return underground again.

The impact on companies and company employees is severe. Preventative security is costly. We estimate that the industry is spending around R2.5 billion extra every year on security - for precious metals mines a good portion of this is related to illegal mining.

There are also documented cases of employees being intimidated and coerced to support illegal miners. Where the illegal mining occurs operating mines, the safety of mining employees can be affected when illegal mining affects infrastructure

It is difficult to assess the scale of illegal mining in South Africa. But it is extensive. One illustration is that in 2018-2019 more than 4,200 illegal miners were arrested at Barberton mines in Mpumalanga - and many of those were rearrests.

Similarly, we cannot estimate fully what is lost. The losses to crime run into billions of rands a year. Whatever the actual number, the impact on operating mining companies, mining employees, communities, and lost taxes and royalties is huge.

PRODUCT THEFT ON MINE AND IN TRANSIT

This has become a costly phenomenon. Product stolen includes not only mine property but also infrastructure items that significantly affect the industry.

An example is the chrome sector: mining companies in Limpopo are experiencing an increase of theft of product in transit:

- Initially chrome plants were targeted, sometimes using insiders.
- The trend now is to target trucks at night.
- Tracker signals on the trucks are jammed and the trucks get hijacked and/or diverted off the route to an area in which criminals would offload product onto another truck with a front-end loader or where the trailers were detached from the truck and taken using another truck.
- Typically, by the time the driver is able to contact the control room, the cargo is long gone.

Criminals attack container depots such as City Deep armed with assault rifles to steal products. Criminals also tamper with the railway lines which forces the trains to stop for longer periods, allowing for the theft of chrome and coal.

We know from Transnet that, over the past five years, there has been a 177% increase in security-related incidents resulting in theft and vandalism of infrastructure – that was close on 8,000 incidents in 2020 alone.

Transnet reported in mid-2022 that it experienced more than 600 theft and vandalism incidents on average each month.

Theft of cables and community unrest contributed to Transnet's railed volumes declining from 183 mt in 2021 to 173 mt.

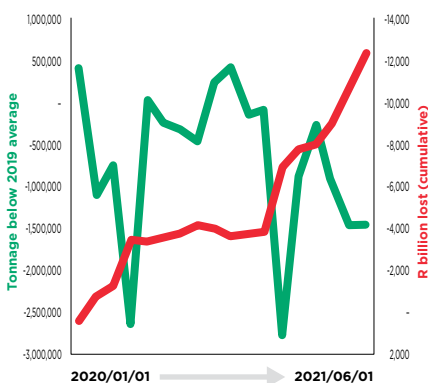
More than 1,000 kilometres of cable have been stolen from Transnet's rail operations, resulting in more than R1.6 billion being spent on security, and approximately R400 million on replacing stolen cables.

Lost revenue due to operational disruptions is estimated at R1.9 billion in Transnet Freight Rail in 2021 alone

For 2021, the Minerals Council estimates bulk commodity producers lost revenue of R35 billion when delivered tonnages are measured against target. The opportunity cost when deliveries are measured against installed rail capacity rises to R50 billion.

The graphs show the impact in just two sectors.

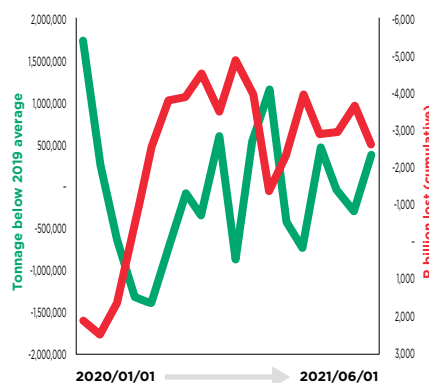
Coal export trends below 2019 averages since 2020



Average tonnage exported per month

2019	6.6Mtpm
2020	5.9Mtpm
losses for 2021:	R16bn

Iron ore export trends below 2019 averages since 2020



Average tonnage exported per month

2019	5.6Mtpm
2020	5.4Mtpm
losses for 2021:	R2.6bn



Industry is being forced to turn to alternative of road transportation. This has a negative impact on margins, safety, the environment, and the state of the nation's road infrastructure.



PROCUREMENT MAFIA

Many mining companies have experienced or are experiencing incidents of violence and extortion essentially driven under the pretext of demand for tenders/procurement contracts and/or community employment at the mines.

This may be before a tender is awarded in which case it's aimed at companies. But in many cases the successful tenderers – often legitimate BEE companies – are also targeted.

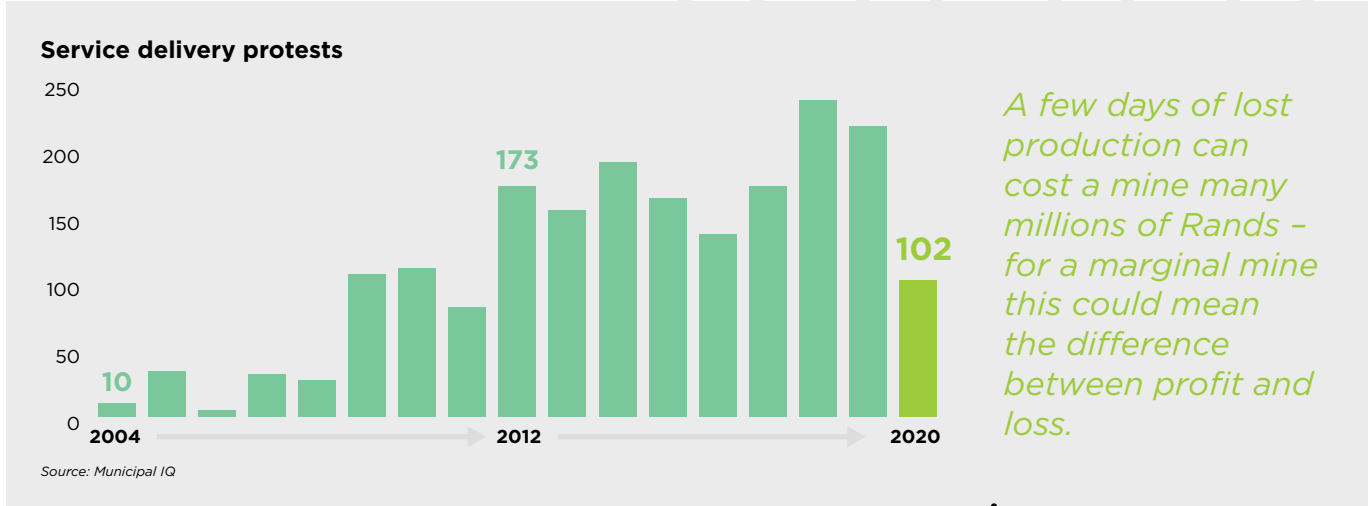
This is what we refer to as the procurement mafia and is experienced in the construction sector as well as mining. The result: projects are delayed and sometimes even halted.

- It often involves groups – sometimes armed – arriving at sites and demanding an increase in BEE participation, the award of procurement contracts directly to themselves or specific service providers, community employment opportunities, either in individual form or a combination of these demands.
- When companies refuse to deal with these unlawful business forums, unlawful protest actions ensue.
- Transport companies and essential services are also among those held to ransom.
- Trucks are forced to blockade the roads and busses transporting employees to work are hijacked and used to transport community protestors to various destinations to embark on protest actions.
- Police, government officials and security officials are under attack and employees directly and indirectly receive death threats or are subjected to acts of intimidation by identified and unidentified groups and individuals.

These actions result in massive financial losses to the industry.

COMMUNITY UNREST AND SOMETIMES VIOLENT DISRUPTIONS

South Africa as a whole has experienced an increase in violent community protests, most related to poor service delivery, as illustrated in the graph. The dip in 2020 was, of course, as a result of Covid.



We recognise legitimate community protest related to the actions and non-actions by mines, and municipalities.

But many of the protests experienced by mining companies are not as a direct result of mining, and not about issues that mining companies can do anything about.

And, when not addressed these protests can and do turn violent.

They arise because of:

- Massive unemployment
- Lack of municipal service delivery and, often, allied corruption within the municipalities and often community and traditional authorities' trusts to which mining companies have paid royalties or funds for local economic development
- as detailed in the next section, community protestors are often used by the procurement mafia to achieve their own ends.

Not only do these protests result in fear and intimidation of employees and community members, as well as damage to property and property, they have also resulted in the loss of life of innocent bystanders.

It is also the case that a few days of lost production can cost a mine many millions of Rands - for a marginal mine this could mean the difference between profit and loss, between staying open or closing.

SOLUTIONS

What is the Minerals Council doing?

The Minerals Council is engaging in several strategic forums with the SAPS at a national level and its members have formed strategic partnerships with SAPS to find appropriate solutions to mitigate and manage the range of security issues affecting the mining industry.

We have also been advocating for the establishment of a dedicated mining police task force to combat and mitigate the security issues affecting the mining industry. The Minerals Council understands the establishment of specialist units is imminent.

Companies themselves have significantly increased security and improved surveillance, including through the use of technology. The industry is working closely with Transnet to mitigate infrastructure-related crime negatively affecting the rail network. We would like to see the rail network being declared as key infrastructure.

Finally, the Minerals Council is working collaboratively in various regions. For example, it has established the Far Eastern Limb security cluster; the Emalahleni business forum; and a similar structure in the Northern Cape.

MINERALS COUNCIL SOUTH AFRICA

T +27 11 498 7100
E info@mineralscouncil.org.za

MEDIA

Allan Secombe
E aseccombe@mineralscouncil.org.za

Rosebank Towers, 19 Biermann Avenue
Rosebank, Johannesburg, 2196
PO Box 61809, Marshalltown 2107

@Mine_RSA www.facebook.com/Mine

www.mineralscouncil.org.za

#MiningMatters