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Suppliers of services to the mining sector and, in particular, contract miners have played a significant role in the growth, development and transformation of the mining sector.

This is because they have often provided the flexibility required to make projects or operations viable in circumstances where the mine owner is not in a position to efficiently and economically extract the minerals.

As a result of flexibility and often a better cost structure, contract miners have assisted the smaller to medium-sized mine owners through the difficult times of inconsistent commodity prices and policy and regulatory uncertainty.

However, contractors have often been criticised for lack of transformation, diversity, and not extending full employment benefits to their employees.

Embracing innovation

Suppliers of goods to the mining sector have contributed significantly to the South African mining sector's reputation of being innovative and producing solutions.

With the global trend towards mechanisation and automation, it is inevitable that South Africa will also be focused on optimising the benefits that can flow from mechanisation and automation, the Internet of Things, and Artificial Intelligence, despite criticism of these moves based on the perception that mechanisation and automation will automatically result in job losses.

The South African sector has nevertheless embraced innovation as it grapples with more cost-efficient production pressures and the need to dramatically improve health and safety at mines.

With the focus on growth, development and transformation of South Africa's mining sector, the question turns to how the Draft Broad-Based Socio Economic Charter for the Mining and Minerals Industry, 2018 (Draft Mining Charter 2018), published on 15 June 2018, will impact on suppliers of goods and services to the mining sector.

Draft Mining Charter 2018 has been the subject of extensive debate, and following the Mining

Summit in early July 2018, the Minister of Mineral Resources, Gwede Mantashe has extended the timeframe for stakeholders to engage with the Department of Mineral Resources and to make further submissions, until the end of August 2018.

Suppliers of goods and services

While there has been extensive focus on the ownership element, including the "once empowered, always empowered" principle, the procurement, supplier and enterprise development element has also received attention.

Element 2.2 of Draft Mining Charter 2018 is based on the principle that procurement of goods and services presents opportunities to expand economic growth and that the holders of rights to prospect or mine are required to promote economic growth through the development of small, medium and micro enterprises.

This obligation is placed on the holder of the right and this is typically enforced through rigorous procurement policies and procedures.

Draft Mining Charter 2018 makes a distinction between the provision of mining goods and services. In the case of mining goods, a minimum of 70% of total mining goods procurement spend must be on South African manufactured goods, i.e. with a minimum 60% of the value being added during the assembly or manufacturing of the product in South Africa.

The calculations of the value add excludes profit mark-up, intangible values such as brand value and overheads.

Draft Mining Charter 2018 also requires the 70% spend to be apportioned in a specified manner, namely 21% from Black entrepreneurs, 5% on Black Economically Empowered women entrepreneurs or 51% youth owned and controlled enterprises, and 44% from Black Economic Empowerment compliant companies.

Black entrepreneurs are Black enterprises that are at least 51% owned by Black persons in which Black persons hold at least 51% of exercisable voting rights and 51% of economic interest, or an organ of State.

A BEE compliant company is a company with a minimum B-BBEE Level 4 status in terms of the BBBEE Codes of Good Practice, and a minimum of 26% Black ownership.

In the case of services, Draft Mining Charter 2018 provides that a minimum of 80% of the total spend on services (excluding non-discretionary expenditure) must be sourced from South African companies.

It also requires the 80% spend to be apportioned in the specified manner, namely 60% on Black Economically Empowered entrepreneurs, 10% on Black Economic Empowerment women entrepreneurs or 51% youth owned and controlled enterprises, and 10% on Black Economic Empowerment compliant companies.

Foreign suppliers i.e. foreign controlled or registered companies which do not have as least a Level 4 status in terms of the BBBEE Codes and 26% Black ownership must contribute a minimum of 0.5% of their turnover to the Mandela Mining precinct for research purposes.

It is essential for suppliers of goods and services to acknowledge the requirements of Draft Mining Charter 2018, and to work, actively, towards compliance.

Suppliers of goods and services to the sector also have a significant role to play in the improvement of health and safety at South Africa's mines.

With the current, unfortunate upward trend in the number of fatalities, added pressure will be placed on suppliers of goods and services to make South African mines safer.

Suppliers of goods and services should embrace the unique position that they are in to contribute meaningfully to growth and transformation of South Africa's mining sector and improvement of health and safety.

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